# Associated Electric & Gas Insurance Services Limited

Consolidated Financial Statements as of
December 31, 2024 and 2023 and for the
Years Ended December 31, 2024, 2023 and 2022 and
Independent Auditor’s Report

# Associated Electric & Gas Insurance Services Limited

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## INDEPENDENT AUDITOR'S REPORT

To the Members of
Associated Electric & Gas Insurance Services Limited:

### Opinion

We have audited the consolidated financial statements of Associated Electric & Gas Insurance Services Limited ("AEGIS" or the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income and comprehensive income, changes in surplus, and cash flows for each of the three years in the period ended December 31, 2024, and the related notes to the consolidated financial statements (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 Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

### 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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the information about incurred and paid claims development prior to 2024 within Note 8 to the financial statements be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte & Touche LLP

April 25, 2025

# Associated Electric & Gas Insurance Services Limited

## Consolidated Balance Sheets
## As of December 31, 2024 and 2023
## (Expressed in thousands of U.S. dollars)

| | 2024 | 2023 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents[1] | $ 687,104 | $ 794,898 |
| Held-to-maturity debt securities | 875,610 | 1,127,263 |
| Available-for-sale debt securities [1] | 3,857,555 | 2,923,690 |
| Trading debt securities | 376,891 | 394,570 |
| Equity securities | 809,214 | 871,364 |
| Other invested assets | 300,844 | 211,690 |
| Mortgage loans | 93,936 | 136,564 |
| Total cash and investments | 7,001,154 | 6,460,039 |
| Due from reinsurers | 2,739,952 | 2,643,270 |
| Due from insureds | 16,726 | 31,545 |
| Accrued interest[1] | 45,382 | 38,362 |
| Premiums receivable | 488,762 | 503,529 |
| Receivable for securities sold | 66 | 687 |
| Current income taxes receivable[1] | 11,577 | 3,913 |
| Unearned continuity and other premium credits | 36,805 | 32,971 |
| Prepaid reinsurance premiums[1] | 551,679 | 499,619 |
| Deferred acquisition costs | 130,616 | 126,649 |
| Net deferred tax assets[1] | - | 7,682 |
| Deposit assets | 46,004 | 143,663 |
| Other assets[1] | 236,934 | 233,630 |
| Total Assets | $11,305,657 | $10,725,559 |
| **Liabilities and Surplus** | | |
| Liabilities: | | |
| Reserve for losses and loss expenses | $ 5,785,667 | $ 5,563,354 |
| Unearned premiums | 1,659,706 | 1,540,746 |
| Fair value of insurance and reinsurance contracts | 386,978 | 392,523 |
| Due to reinsurers[1] | 245,415 | 297,706 |
| Net deferred tax liabilities[1] | 14,964 | - |
| Payable for securities purchased | 7,498 | - |
| Deposit liabilities | 46,004 | 143,663 |
| Accrued expenses and other liabilities[1] | 232,019 | 239,574 |
| Total liabilities | 8,378,251 | 8,177,566 |
| Commitments and Contingencies (See Note 11) | | |
| Surplus: | | |
| Statutory surplus fund | 250 | 250 |
| Policyholders' surplus[1] | 2,945,114 | 2,515,474 |
| Accumulated other comprehensive income (loss) | (17,958) | 32,269 |
| Total surplus | 2,927,406 | 2,547,993 |
| Total Liabilities and Surplus | $11,305,657 | $10,725,559 |

[1] *See Note 6 for details of balances associated with variable interest entities.*

See notes to the consolidated financial statements.

# Associated Electric & Gas Insurance Services Limited

## Consolidated Statements of Income and Comprehensive Income
## For Years Ended December 31, 2024, 2023 and 2022
## (Expressed in thousands of U.S. dollars)

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Revenue: | | | |
| Gross premiums written | $2,961,281 | $2,836,443 | $2,649,521 |
| Net premiums written | 1,886,957 | 1,820,045 | 1,650,250 |
| Net premiums earned | 1,820,839 | 1,722,917 | 1,534,450 |
| Net investment income (loss) | 310,132 | 237,221 | (75,898) |
| Change in fair value of insurance and reinsurance contracts | 13,009 | 2,133 | 149,793 |
| Total revenue | 2,143,980 | 1,962,271 | 1,608,345 |
| Expenses: | | | |
| Losses and loss expenses incurred | 1,036,884 | 1,079,063 | 997,313 |
| Commission expenses | 222,424 | 207,323 | 163,413 |
| Other underwriting expenses | 247,112 | 220,676 | 188,476 |
| Total expenses | 1,506,420 | 1,507,062 | 1,349,202 |
| Income before continuity and other premium credits and income taxes | 637,560 | 455,209 | 259,143 |
| Continuity and other premium credits | 77,353 | 72,419 | 71,235 |
| Income before income taxes | 560,207 | 382,790 | 187,908 |
| Income Taxes: | | | |
| Current provision | 94,460 | 62,237 | 30,679 |
| Deferred provision | 36,475 | 22,618 | 18,444 |
| Total income tax provision | 130,935 | 84,855 | 49,123 |
| Net Income | $ 429,272 | $ 297,935 | $ 138,785 |
| Other Comprehensive Income (Loss): | | | |
| Unrealized gains (losses) on securities: | | | |
| Unrealized holding gains (losses) arising during the year from available-for-sale securities (net of income tax benefit (expense) of $13,448, ($6,171) and $32,330, respectively) | (50,591) | 23,213 | (121,623) |
| Unrealized holding gains (losses), on held-to-maturity securities reclassified from available-for-sale, arising during the year (net of income tax benefit (expense) of $549, $198 and ($289), respectively) | (2,067) | (744) | 1,085 |
| Reclassification adjustment for amounts included in net income (net of income tax (expense) ($646), ($1,268) and ($27,902), respectively) | 2,431 | 4,770 | 104,965 |
| Other comprehensive income (loss) | (50,227) | 27,239 | (15,573) |
| Comprehensive Income | $ 379,045 | $ 325,174 | $ 123,212 |

See notes to the consolidated financial statements.

# Associated Electric & Gas Insurance Services Limited

## Consolidated Statements of Changes in Surplus
## For Years Ended December 31, 2024, 2023 and 2022
## (Expressed in thousands of U.S. dollars)

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Statutory Surplus Fund | $ 250 | $ 250 | $ 250 |
| Policyholders' Surplus: | | | |
| Balance at January 1 | 2,515,474 | 2,225,056 | 2,086,538 |
| Cumulative effect of accounting change, net of tax | - | (7,285) | - |
| Other surplus adjustments | 368 | (232) | (267) |
| Net income | 429,272 | 297,935 | 138,785 |
| Balance at December 31 | 2,945,114 | 2,515,474 | 2,225,056 |
| Accumulated Other Comprehensive Income: | | | |
| Balance at January 1 | 32,269 | 5,030 | 20,603 |
| Other comprehensive income (loss) | (50,227) | 27,239 | (15,573) |
| Balance at December 31 | (17,958) | 32,269 | 5,030 |
| Total Surplus at December 31 | $ 2,927,406 | $ 2,547,993 | $ 2,230,336 |

See notes to the consolidated financial statements.

# Associated Electric & Gas Insurance Services Limited

## Consolidated Statements of Cash Flows
## For Years Ended December 31, 2024, 2023 and 2022
## (Expressed in thousands of U.S. dollars)

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Cash Flows From Operating Activities: | | | |
| Net income | $ 429,272 | $ 297,935 | $ 138,785 |
| Net investment (gains) losses on securities | (26,993) | (19,954) | 174,647 |
| Net investment foreign exchange losses (gains) losses | 7,759 | 1,986 | 13,830 |
| Amortization (accretion) of investments | (22,105) | (45,256) | 3,383 |
| Depreciation, capitalization and other charges | 1,895 | 1,964 | 2,043 |
| Deferred income tax expense | 36,475 | 22,618 | 18,444 |
| Change in variable interest entities | 368 | (231) | (267) |
| Allowance for credit losses and uncollectible amounts | (9,506) | (10,894) | 2,969 |
| Changes in assets and liabilities: | | | |
| Due from reinsurers | (96,682) | 173,692 | (358,145) |
| Due from (to) insureds | 14,819 | (22,302) | (17,638) |
| Accrued interest | (7,020) | (13,900) | (3,460) |
| Premiums receivable | 14,767 | (78,467) | (7,697) |
| Current income taxes receivable (payable) | (7,664) | 1,141 | (6,536) |
| Unearned continuity and other premium credits | (3,834) | (3,018) | (199) |
| Prepaid reinsurance premiums | (52,060) | (41,968) | (3,470) |
| Deferred acquisition costs | (3,967) | (15,026) | (18,013) |
| Deposit assets | 97,659 | (10,954) | 1,431 |
| Other assets | (5,199) | (5,400) | (13,247) |
| Reserve for losses and loss expenses | 222,313 | 38,091 | 661,457 |
| Unearned premiums | 118,960 | 127,417 | 123,817 |
| Fair value of insurance and reinsurance contracts | (5,545) | (4,390) | (140,319) |
| Due to reinsurers | (52,291) | 8,789 | 35,406 |
| Deposit liabilities | (97,659) | 10,954 | (1,431) |
| Accrued expenses and other liabilities | (8,874) | 30,999 | 12,009 |
| Net cash provided by operating activities | 544,888 | 443,826 | 617,799 |
| Cash Flows From Investing Activities: | | | |
| Purchases of available-for-sale debt securities, equity securities, and other investments | (3,111,388) | (6,226,599) | (4,543,268) |
| Purchases of mortgage loans | (704) | (1,118) | (25,472) |
| Purchases of held-to-maturity investments | - | - | (240,510) |
| Purchases of trading securities | (33,820) | (399,606) | - |
| Proceeds from sales or redemptions of available-for-sale debt securities, equity securities, and other investments | 2,194,049 | 5,905,677 | 4,218,513 |
| Proceeds from repayments of mortgage loans | 37,966 | 5,844 | 77,561 |
| Proceeds from maturities and mandatory redemptions of held-to-maturity investments | 243,722 | 140,682 | 188,669 |
| Proceeds from trading securities | 19,882 | 1,332 | - |
| Net cash utilized in investing activities | (650,293) | (573,788) | (324,507) |
| Effect of Exchange Rate Changes on Cash | (2,389) | (174) | (6,211) |
| Change in Cash and Cash Equivalents | (107,794) | (130,136) | 287,081 |
| Cash and Cash Equivalents, Beginning of Year | 794,898 | 925,034 | 637,953 |
| Cash and Cash Equivalents, End of Year | $ 687,104 | $ 794,898 | $ 925,034 |
| Supplemental disclosures of cash flow information: | | | |
| Income tax (payments) | $ (101,759) | $ (61,101) | $ (35,941) |
| Non Cash Transactions: | | | |
| Increase of real estate joint ventures | $ 9,982 | $ - | $ - |

## 1. The Company and its Principal Activity

Associated Electric & Gas Insurance Services Limited ("AEGIS" or the "Company") was incorporated in Bermuda in 1971 and commenced underwriting activities in 1975. AEGIS is registered as a non-assessable mutual insurance company in Bermuda, is regulated under that country's Insurance Act of 1978, and is a Class 3 insurer under the Insurance Amendment Act of 1995. The Bermuda Monetary Authority approved AEGIS' change in designation from a Class 2 insurer to a Class 3 insurer, effective January 1, 2015.

The principal activity of the Company is to provide, directly and through alliances and affiliates, a full array of liability and property coverages. AEGIS writes Excess Liability, Employers Liability, Employment Practices Liability, Professional Liability, Property including renewables, Boiler and Machinery, Cyber and Generation Outage coverage. AEGIS also writes Directors and Officers Liability, Fiduciary and Employee Benefits Liability, and Excess Workers' Compensation coverages. Through strategic alliance partners, which it reinsures, AEGIS offers General Liability, Commercial Automobile Liability, Directors and Officers Liability, Umbrella Liability and Workers' Compensation coverages. The Company operates a federally licensed Canadian branch offering Excess Liability, Directors and Officers Liability, Property, and Boiler and Machinery and Cyber coverages.

AEGIS Electric & Gas International Services Limited ("AISL") is the capital provider for Syndicate 1225 ("AEGIS London") at Lloyd's of London ("Lloyd's"). AISL underwrites primarily Property, Casualty, Specialty Lines, Marine and Energy insurance. AISL is wholly owned by AEGIS through its subsidiary, AEGIS London Holding Limited ("AEGIS London Holding"). For the years ended December 31, 2024, 2023 and 2022, the Company provided a net capacity for AEGIS London of 100 percent.

## 2. Significant Accounting Policies

### a. Basis of Presentation

The consolidated financial statements include the accounts of AEGIS, its wholly owned subsidiaries, and entities over which the Company exercises control and where the Company is considered the primary beneficiary of the entities' activities (these entities are known as variable interest entities ("VIE")). See Note 6 for more information on the Company's consolidated VIEs. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All significant inter-company transactions are eliminated in consolidation.

### b. Use of Estimates

The preparation of these consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, in particular the fair value of investments, reserves for losses and loss expenses, the allowance for credit losses ("ACL") inclusive of uncollectible reinsurance and investment allowances, the fair value of excess workers' compensation direct insurance and related reinsurance contracts, deferred tax assets and liabilities, the disclosure of contingent assets and liabilities at the date of these consolidated financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### c. Cash and Cash Equivalents

Cash and cash equivalents generally include demand deposits, money market funds and short-term investments with an original maturity of less than three months from the purchase date. Cash equivalents are carried at amortized cost, which approximates fair value.

**d. Investments and Mortgage Loans**

**Investments**

The Company invests in a variety of financial instruments and vehicles including debt and equity securities, 144A registered and unregistered debt issuances, mutual funds, syndicated bank loans, direct lending, fund of fund investments, convertible debt securities, limited partnership investments, real estate investment trusts ("REIT") and mortgage loans. The Company records its purchases and sales of equity and debt securities and mutual funds on a trade date basis, and all other investments on the contractual effective date. The Company classifies its financial instruments as either Available-for-Sale ("AFS"), Held-to-Maturity ("HTM"), Trading, Equity securities or Other invested assets.

Investment income (loss), net of investment-related expenses, is recognized when earned. Realized investment gains or losses on sales of investments, generally determined on a first-in, first-out basis, are included in net investment income (loss).

Net investment income (loss) also includes unrealized gains and losses from the change in reported asset value for investments accounted for under the equity method of accounting, unrealized gains and losses from equity securities and debt securities designated as trading, and changes in the ACL.

**Available-for-Sale/Held-to-Maturity Investments**

The Company's AFS securities are carried at fair value, net of ACL, with unrealized holding gains and losses, net of income tax effects, included in accumulated other comprehensive income ("AOCI") and the related changes in unrealized gains and losses included in Other Comprehensive Income ("OCI"). The amortized cost of debt securities includes both the amortization of premium and the accretion of discounts.

AFS securities include mortgage and asset-backed securities ("MBS" and "ABS", respectively). Amortization of the premium or accretion of the discount from the purchase of these securities is recognized after considering the estimated timing and amount of prepayments of the underlying loans. Actual prepayment experience is periodically reviewed and effective yields are recalculated when differences arise between the prepayments originally anticipated and the actual prepayments received and currently anticipated. The recognition of income on MBS and ABS is dependent upon market conditions, which could result in prepayments and changes in amounts to be earned.

Securities classified as HTM are carried at amortized cost, net of ACL. The Company's intent is to hold its HTM securities to maturity. The HTM portfolio is comprised of various types of securities including U.S. treasury securities, domestic and foreign corporate debt instruments, MBS and ABS.

Securities carried at amortized cost are adjusted for the amortization of premiums and accretion of discounts to maturity using the effective yield method. This amortization and accretion is included in net investment income (loss).

**Trading Securities**

In 2023, the Company began investing in securities that were designated as trading at the time of purchase. These securities are invested in debt instruments and are carried at fair value with changes in fair value recognized in net investment income (loss).

**Equity Securities**

The Company identifies its equity investments as equity securities, REITs and mutual funds. Equity investments are carried at fair value with changes in fair value recognized in net investment income.

**Current Expected Credit Losses ("CECL") Methodology for HTM and AFS Investments**

On January 1, 2023, the Company adopted on a modified retrospective basis accounting standards update ("ASU") 2016-13, *Financial Instruments Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which revised the U.S. GAAP guidance with respect to financial instrument credit losses. Under the new standard, while much of the core guidance regarding the assessment of impairment was maintained, reporting entities must now consider the likelihood and severity of a potential loss over the entire life of the investment, as compared to prior guidance and practice that allowed the consideration of a much shorter time frame, typically one year following the reporting date. The modified standards also require that the estimate of lifetime losses to be recorded as an ACL on the balance sheet, netted with the carrying value of the investment, with changes in the allowance recognized in net investment income (loss) on the income statement. An investment's amortized cost is not adjusted for impairment directly unless there is an intent to sell that investment, in which case the investment's amortized cost is reduced directly and the prior recorded allowance related to the security reversed.

In estimating the ACL, reporting entities must consider historical credit loss experience, current and future expectations of the macroeconomic environment, security-specific factors like credit ratings, actual and pending changes in contract or collateral terms and conditions, and should incorporate reasonable and supportable forecasts.

For AFS securities, the ACL is limited to the amount that the fair value is less than the amortized cost, which is referred to as the "fair value floor". If the fair value of the security is less than the present value of projected future cash flows expected to be collected, the portion of the decline in carrying value related to non-credit factors (e.g. interest rates) is recorded in OCI, with the credit related impairment recognized in net investment income (loss).

See Note 2(t), 3 and 5 for further details on ACL methodologies for HTM and AFS securities.

**Syndicated Bank Loans**

The Company invests in syndicated bank loans. The initial investment in a bank loan is inclusive of the value of the loans plus or minus any fees paid or received which are directly attributable to the investment. The difference between the initial investment and the related loans principal amount at the date of purchase is recognized as an adjustment to yield over the life of the loan. All other costs incurred in committing to purchase and acquire the loans are expensed as incurred. Syndicated bank loans are classified and treated as AFS securities.

**REIT Investments**

The Company invests in both exchange traded and privately issued REIT investments, both of which are considered equity securities and are classified and accounted for accordingly.

**Other Invested Assets**

**Overseas Deposits**

The Company is required to maintain assets on deposit held in a Lloyd's trust to support the underwriting activities of our London Syndicate 1225. These assets consist of fixed maturities and short-term investments and are referred to as Overseas Deposits. These deposits are held at fair value and any changes are recognized in net investment income.

**Investments Accounted for Under the Equity Method**

When the Company does not have a controlling financial interest in an entity but can exert what is deemed as significant influence, generally based on percentage of ownership, the entity is accounted for under the equity method of accounting. The following investments are accounted for under the equity method and are included in investments in the consolidated balance sheets with income recorded as net investment income (loss).

**Fund of Funds**

The Company invests in fund of funds investments and these investments are accounted for using the equity method of accounting. Under the equity method of accounting, the carrying value of these holdings approximates fair value.

**Real Estate Joint Venture**

In May 2024, the Company entered into a commercial Real Estate Joint Venture ("REJV"). Upon formation of the REJV the Company's received a 5.38% ownership interest in the REJV, which equated to the $9,982 commercial loan that the Company held prior to the establishment of the joint venture. The Company has virtually no influence over the operations of the REJV and accounts for its ownership interest under the equity method of accounting, in accordance with ASC 323, *Investments—Equity Method and Joint Ventures*. The REJV is classified as an Other invested asset within the investment portfolio.

**Limited Partnership Investments**

The Company invests in limited partnerships whose underlying investments are comprised of various types of instruments, such as senior secured term loans, senior floating rate debt and syndicated bank loans. The ownership interest in each of the limited partnerships exceeded 5% but was less than 50% at December 31, 2024 and 2023. Based on its percentage of ownership and other factors, the Company is accounting for these investments using the equity method of accounting, in accordance with ASC 323, *Investments—Equity Method and Joint Ventures*.

Under the equity method of accounting, the carrying value of these instruments approximates fair value. These limited partnership investments would be classified as Level 3 investments, as determined based on the Company's fair value measurement framework.

**Mortgage Loans**

The Company participates in residential and commercial mortgage loans by investing in a pro-rata share of loans originated by a third party. Residential loans are comprised mostly of apartment complexes, while commercial loans consist largely of malls and commercial buildings. Mortgage loans are stated at the unpaid principal balance adjusted for deferred fees and are reported net of ACL. Commitment and other deferred fees are recognized as income on a straight-line basis over the life of the loan. Interest income is recognized as earned and management fees are expensed as incurred, with both reflected in net investment income (loss). The Company recognizes an ACL in earnings within net investment income (loss) based on the expected lifetime credit loss, which represents the amount of the loan the Company does not expect to collect, resulting in the amount expected to be collected being reported. See Note 5 for further details on ACL methodology.

**Security Lending Agreements**

The Company participates in securities lending arrangements whereby specific securities are loaned to other institutions, primarily banks and brokerage firms, for short periods of time. Collateral is held by our custodian and is monitored and maintained by the lending agent. Company policy requires the borrower to provide a minimum of 102% up to 105% of the fair value of the domestic and foreign loaned securities, respectively, as collateral. Securities loaned are recorded in accrued expenses and other liabilities, while cash collateral held by our custodian and monitored and maintained by the lending agent is recorded in other assets on the consolidated balance sheets. The Company receives interest income on the invested collateral, which is included in net investment income (loss). The Company monitors the fair value of the underlying securities to ensure such transactions are adequately collateralized.

The Company's participation in securities lending arrangements as of December 31, 2024 and 2023 was comprised of investment securities on loan having a fair value of $0 and $10,991, respectively, while the cash collateral from borrowers was $0 and $11,298 as of the same respective dates. The Company receives interest income on the invested collateral, which is included in net investment income (loss).

**e. Concentration of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk include cash balances in excess of government-insured limits, amounts due from reinsurers and marketable debt securities. Although the Company places its temporary cash investments with creditworthy financial institutions and purchases reinsurance contracts from highly rated reinsurers, the Company is exposed to a concentration of credit risk with respect to cash and temporary cash investments held at financial institutions and amounts due from its reinsurers. Management monitors the credit standing of the relevant financial institutions and the financial condition of the Company's reinsurers.

The Company holds bonds and notes issued by U.S. and foreign corporations, the United States government and foreign governments. By policy, these investments are kept within limits designed to prevent risks caused by concentration. As of December 31, 2024 and 2023, there were no known significant concentrations of credit risk with regard to invested assets.

**f. Deferred Acquisition Costs**

The Company incurs brokers' commissions and premium taxes in acquiring insurance premiums for executed contracts. These costs are deferred and amortized over the lives of the policies to which they relate, excluding contracts measured at fair value, where such costs are included in the change in fair value. The amortization of deferred acquisition costs is included in commission expenses. The recoverability of these deferred costs is reviewed periodically and includes the consideration of future investment income.

**g. Derivative Financial Instruments**

The Company may enter into foreign currency forward contracts, generally with terms of 90 days or less. The primary objective of investing in foreign currency forward contracts is to protect the U.S. dollar value of foreign currency-denominated monetary assets and liabilities from the effects of volatility in foreign exchange rates that might occur prior to their receipt or settlement in U.S. dollars. These forward contracts are not designated as hedges and are marked to fair value through net investment income (loss) and substantially offset the change in spot value of the underlying foreign currency-denominated monetary asset or liability.

For 2024 and 2023 the notional balance, realized and unrealized gains (losses) associated with foreign currency forward contracts were all $0, respectively. The Company has not invested in forward contracts since 2022, with that year reflecting an unrealized loss of $427 and a realized gain of $63, which was reflected in net investment income (loss).

**h. Foreign Operations and Foreign Currency Translation**

The functional and reporting currency of the Company is U.S. dollars. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the average rate prevailing during the year. Any resulting operating foreign exchange gain or loss is included in other underwriting expenses. The Company recorded net operating foreign exchange gains (losses) of ($8,406), $9,028, and ($1,451) for the years ended December 31, 2024, 2023 and 2022, respectively. Unrealized gains and losses resulting from changes in the foreign currency exchange rates on AFS securities are recorded in the consolidated balance sheets in AOCI. Realized foreign currency gains and losses resulting from the sale of securities are recorded in net investment income (loss).

AISL's assets, liabilities, revenues and expenses are recorded after making certain adjustments to convert U.K. GAAP accounting to U.S. GAAP. The most significant U.S. GAAP adjustments relate to timing of investment income recognition and loss reserve estimates.

The Canadian branch files statutory financial statements based upon International Financial Reporting Standards. The most significant U.S. GAAP adjustments to the Canadian branch's financial results relate to the method of estimation of loss reserves.

**i. Leases**

A lease is defined as a party obtaining the right to use an asset that is legally owned by another party. The Company determines if an arrangement is a lease at inception. Right of use ("ROU") assets and lease liabilities are recorded at the commencement date of the lease. Lease liabilities are recognized at the present value of the contractual fixed lease payments. The Company has elected to utilize risk free discount rates to determine the present value of the lease payments. ROU assets are recognized equal to lease liabilities adjusted for prepaid lease payments, initial direct costs and lease incentives. The operating lease expense is recognized on a straight-line basis over the lease term, while variable lease payments are expensed as incurred. ROU assets and lease liabilities are recorded in other assets and accrued expenses and other liabilities on the consolidated balance sheet, respectively.

**j. Income Taxes**

The Company's provision for income taxes represents management's best estimate of various events and transactions and includes the impact of reserve provisions and changes to reserves that are considered appropriate. The Company reflects interest and penalties attributable to income taxes, to the extent they arise, as a component of its income tax provision or benefit as well as its outstanding income tax assets and liabilities.

Deferred tax assets ("DTA") and liabilities ("DTL") resulting from temporary differences between the financial reporting and tax bases of assets and liabilities are measured at the balance sheet date using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse. A valuation allowance is established when it is more likely than not that some portion of the Company's DTA's will not be realized.

Significant judgment is required in evaluating the Company's tax positions and determining its provision for income taxes, as there are many transactions and calculations for which the ultimate tax determination is uncertain. The assessment to determine whether a valuation allowance is required and the amount of any allowance requires significant judgment and includes the long-term forecast of future taxable income and the evaluation of tax planning initiatives. Adjustments to the deferred tax valuation allowances are recorded in earnings in the period such management assessments are made.

The Company recognizes a tax benefit relating to uncertain tax positions only where the position is more likely than not to be sustained assuming examination by tax authorities. The Company establishes reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves are established when the Company believes that certain positions might be challenged despite its belief that the Company's tax return positions are fully supportable. The Company adjusts these reserves in light of changing facts and circumstances, such as the outcome of tax audits.

**k. Written and Unearned Premiums**

Premiums are earned as income ratably over the period covered by the policies. Unearned premium reserves are established relative to the unexpired contract period. It is the Company's practice to price certain of its policies at amounts that are not expected to fully recover anticipated losses, loss expenses and underwriting expenses. Such practice anticipates that sufficient investment income will be earned over the period in which underwriting losses are settled.

**l. Reserve for Losses and Loss Expenses**

The reserve for losses and loss expenses represents the Company's best estimate, based on its latest studies, of the gross amount of losses and loss expenses to be paid on ultimate settlement of all incurred insurance claims, reported and unreported, as of the respective balance sheet dates. These estimates are periodically reviewed by the Company's management and independent actuaries, and are adjusted in accordance with the latest available information. Any adjustments in estimates are reflected in earnings in the period the adjustment is recorded. Management believes that an adequate provision has been made for the Company's losses and loss expenses.

**m. Fair Value Measurements**

The Company 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. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various valuation approaches. Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

***Level 1***—Quoted prices available in active markets for identical investments as of the reporting date are used to determine fair value. Assets measured at fair value and classified as Level 1 include publicly traded equity securities.

***Level 2***—Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, are used to determine fair value through the use of models or other valuation methodologies. Assets measured at fair value and classified as Level 2 include certain domestic and foreign government and agency securities, domestic and foreign corporate bonds, MBS, ABS, syndicated bank loans/direct lending, commercial paper, secured notes, mutual funds, and certain private placements. Since many debt securities do not trade on a daily basis, independent pricing services estimate fair value through processes such as bid evaluation using observable inputs and matrix pricing of similar securities to calculate the fair value of domestic and foreign government and agency securities. For domestic and foreign corporate bonds and commercial paper, the pricing provider considers credit spreads, interest rate data and market analysis in the valuation of each security. For MBS and ABS, the pricing provider applies models including observable inputs such as dealer quotes and other available trade information as well as prepayment speeds, yield curves and credit spreads. Syndicated bank loans are priced using dealer quotes relying on available market data.

***Level 3***—Significant pricing inputs are unobservable and include situations where there is little, if any, observable market activity for the investment, asset or obligation. The liability for the fair value of excess workers' compensation insurance and reinsurance contracts is classified as Level 3. Management must make assumptions about inputs that a market participant would use to value the liability. If quoted market prices are not available, fair value is based upon vendor or internally developed valuation models that use, where possible, current market-based or independently sourced market parameters. 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. There have been no material changes in the Company's valuation techniques during the periods presented. The Company also considers its own nonperformance risk when measuring the fair value of liability positions and the counterparty's nonperformance risk when measuring the fair value of asset positions.

**Fair Value Option for Insurance and Reinsurance Contracts**

Effective January 1, 2008, the Company elected the fair value option ("FVO") for all direct insurance contracts classified as excess workers' compensation, as well as the related reinsurance contracts.

The Company records these contracts at fair value to reflect the significant elapsed time between the issuance of the contracts and final settlement of the obligations, adjusted for the risk of variation in the amount and timing of future cash flows. These contracts are recorded at fair value, with changes in fair value recorded in the consolidated statements of income and comprehensive income in the period of change. As such, reported premiums and incurred losses do not include activity related to the Company's excess workers' compensation insurance and reinsurance contracts.

Cash flows from the underlying insurance and reinsurance contracts are reported in cash flows from operating activities. Management reevaluates, on an annual basis, its fair value election for future insurance and reinsurance contracts.

**n. Continuity and Other Premium Credits**

Continuity credits are based on each respective member's proportionate share of premiums and total surplus. Other premium credits are based on each eligible policyholders' proportionate share of its premiums for the given measurement period. Continuity and other premium credits are declared by the Company's Board of Directors. Such credits are provided only to eligible members and other policyholders renewing coverage with the Company and are subject to certain restrictions. The application of continuity and other premium credits to policy renewal premiums is limited to the amount of premium charged. Excess credits are carried forward for potential use in future periods; such credits are forfeited when a member chooses not to renew its policy with the Company. Issued credits are earned over the periods covered by the underlying policies.

**o. Reinsurance**

The Company cedes a portion of its insurance risk by utilizing various reinsurance contracts in order to provide additional capacity for future growth and limit the maximum net loss potential arising from the severity or frequency of insurance claims. These contracts do not relieve the Company from its obligation to policyholders. The amounts recoverable from reinsurers are estimated in a manner consistent with the reserve for losses associated with the related reinsurance contract.

**p. Deposit Assets and Liabilities**

The Company enters into certain contracts that do not meet U.S. GAAP risk transfer provisions requiring that a transaction contain a significant assumption of insurance risk and a reasonable possibility that the Company may realize a significant loss from the contract. These contracts are accounted for using the deposit method of accounting. For these contracts, the Company records deposit liabilities for an amount equivalent to the assets received with any differences due to the timing of receipts and payments. In some cases, the Company transfers assets to another insurer or reinsurer and records a deposit asset for the amount paid.

**q. Property and Equipment**

Property, equipment, and leasehold improvements are stated at cost less accumulated depreciation/amortization and are included in other assets. Depreciation/amortization are provided, beginning at the inception of the asset's use, under the straight-line method based upon the following estimated useful lives:

**(Expressed in thousands of U.S. dollars)**

| | Estimated Life (Years) |
|---|---|
| Property and leasehold improvements | (*) |
| Furniture and fixtures | 5–15 |
| Information technology equipment and software | 3–5 |

(*) *Amortized over the lesser of the useful life or the remaining life of the lease from the date placed in service*

A summary of property and equipment at December 31 is as follows:

| | 2024 | 2023 |
|---|---|---|
| Property and leasehold improvements | $ 9,554 | $ 9,554 |
| Furniture and fixtures | 9,515 | 9,488 |
| Information technology equipment and software | 19,355 | 18,356 |
| Total cost | 38,424 | 37,398 |
| Accumulated depreciation/capitalization | (30,375) | (29,121) |
| Net property and equipment | $ 8,049 | $ 8,277 |

Depreciation and capitalization expense amounted to $1,895, $1,964, and $2,043 for the years ended December 31, 2024, 2023 and 2022, respectively. There were no gains or losses related to the disposal of the Company's property and equipment during the years ended 2024, 2023 and 2022.

**r. Retirement Benefit Plans**

Prior to January 1, 1998, the Company maintained a qualified defined benefit pension plan for eligible employees of AEGIS Insurance Services, Inc., a wholly owned subsidiary of the Company, through membership in the Pension Plan for Employees of AEGIS Insurance Services, Inc. ("AISI") (the "Pension Plan"). Benefits are based on a participant's credited service ending no later than December 31, 2011, as defined by the Pension Plan. On January 1, 1998, the Pension Plan was frozen to new participants.

Effective December 31, 2011, the Pension Plan was amended to discontinue the accrual of additional participant benefits after December 31, 2011. On July 15, 2012, the Pension Plan was amended for a one-time adjustment, which increased frozen Participant's accrued benefit base by 10% provided the participant was an active employee on July 31, 2012. The Company also has a non-qualified supplemental defined benefit plan for certain employees.

The Pension Plan was amended on February 7, 2023, and was terminated effective April 30, 2023. Pension Plan distributions were dependent upon the Pension Plan participant's election either to receive a lump sum distribution or to transfer to a group annuity contract. The termination of the Pension Plan resulted in no loss of benefits or accrued benefits to eligible participants. The Pension Plan had no benefit obligations or plan assets at December 31, 2023 and 2024.

The non-qualified plan is funded from the general assets of the Company, including corporate-owned life insurance policies purchased to provide for the benefits earned by eligible employees; however, these policies cannot be considered in the determination of the funded status of the non-qualified plan. The Company's non-qualified plan had a total projected benefit obligation at December 31, 2024 and 2023 of $13,915 and $13,395, respectively. The projected benefit obligation for the non-qualified plan was based on a discount rate of 4.75% in 2024 and 4.5% in 2023, with a 3% rate of compensation increase for the non-qualified plan for both 2024 and 2023.

The Company currently maintains a post-retirement medical benefit plan for eligible employees of the Company, and benefits are based on a participant's age and credited service. In 2012, the plan was amended to reduce the Company's share of the costs if the annual premium increase exceeds 3.00%.

The plan benefits are funded from the general assets of the Company, including corporate-owned life insurance policies purchased to provide for the benefits earned by eligible employees. These policies cannot be considered in the determination of the funded status of the plan. As of December 31, 2024 and 2023, the unfunded balance related to this plan was $7,351 and $7,270, respectively. The Company's obligations under the plan were based upon a discount rate of 5.75% and 5.25% for 2024 and 2023, respectively. All unfunded balances for the plans above are recorded within accrued expenses and other liabilities within the consolidated balance sheets.

**s. Reclassifications**

The Company has reclassified certain prior year amounts to conform to the current year's presentation.

**t. New Accounting Pronouncements**

***Accounting Pronouncements Previously Adopted***

In June 2016, the FASB issued guidance ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial* Instruments, which was clarified and amended by associated ASU's. Collectively, this ASU replaced the incurred loss accounting framework for financial instrument credit losses with one that requires an ACL be established based on an estimate of the expected lifetime credit losses on certain financial assets and off-balance sheet exposures, including, but not limited to, loans held for investment, debt securities, held-to-maturity securities, premium receivables, reinsurance receivables, leases other than operating leases and loan commitments. The new guidance also required enhanced disclosures. The model for determining expected credit losses considers details about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount over the asset's lifetime.

As of January 1, 2023, the Company adopted the guidance using a modified retrospective method. However, prospective adoption is required for previously impaired AFS debt securities. The adoption of this guidance resulted in a $7,285 decrease, net of tax, to surplus primarily related to the Company's mortgage loan portfolio and HTM investments. For premium receivables, based on the Company's historical and expected credit loss experience and payment patterns, no ACL was established. Premium receivable will continue to be monitored for credit events and aging experience in the future. The Company has included the required disclosures related to investments, mortgage loans and reinsurance receivables within Notes 3, 5 and 8, respectively.

In March 2022, the FASB ASU 2022-02*, Financial Instruments-Credit Losses Topic (326) Troubled Debt Restructurings and Vintage Disclosures* eliminates the accounting guidance for troubled debt restructurings for creditors that have adopted the current expected credit loss guidance while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. The intention of the new guidance is to reduce the complexity involved in evaluating and accounting for loan modifications. The adoption of this guidance had no impact on the Company's consolidated financial statements other than an additional disclosure reflected in Note 5.

***Future Adoption of New Accounting Pronouncements***

In November 2024, FASB issued ASU 2024-03, *Income Statement-Reporting Comprehensive Income–Expense Disaggregation Disclosures (Subtopic 220-40)* which was subsequently amended by ASU 2025-01, *Income Statement–Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40*). The guidance is effective for fiscal years beginning after December 15, 2026, to be applied prospectively with an option of retrospective application (with early adoption permitted). The changes from this guidance involve disclosures in the financial statement notes pertaining to employee compensation costs, depreciation, intangible amortization, and other costs and expenses. The Company is currently evaluating the impact of the guidance on its consolidated financial statements.

In December 2023, FASB issued new guidance for income tax disclosures ASU 2023-09*, Improvements for Income Tax Disclosures*. The guidance is effective for fiscal years beginning after December 15, 2025. The changes resulting from this update require: (i) the disclosure of specific categories in the rate reconciliation and (ii) additional information be provided for reconciling items that meet a quantitative threshold. In addition, the amendments in this update require that all entities disclose the following information about income taxes paid: (i) the amount of income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign taxes and (ii) the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5 percent of total income taxes paid (net of refunds received). The Company is currently evaluating the impact of the guidance on its consolidated financial statements.

**u. Recent Tax Developments**

On December 27, 2023, the Government of Bermuda enacted the Corporate Income Tax Act of 2023, which will apply a 15% corporate income tax to certain Bermuda businesses in fiscal years beginning on or after January 1, 2025. The Company will be subject to the Bermuda corporate income tax. Taxable income or loss is generally based on the taxpayer's Financial Accounting Net Income or Loss ("FANIL"), subject to certain required and elective adjustments. An elective adjustment to FANIL, the Branch Exclusion Election, is available to certain taxpayers. If made, the election results in the income or loss allocable to a non-Bermuda Permanent Establishment ("PE") of a taxpayer being excluded from FANIL in the determination of the taxpayer's taxable income or loss. The election allows the Company to remove from the Bermuda tax base income allocated to a non-Bermuda permanent establishment. Management expects to make this annual election. Accordingly, the Company has determined that no deferred tax balances related to Bermuda corporate income tax are necessary at December 31, 2024 or 2023.

The Organization for Economic Co-operation and Development has issued Pillar Two model rules introducing a new global minimum tax of 15% intended to be effective on January 1, 2024. While the U.S. has not yet adopted the Pillar Two rules, various other governments around the world have and are enacting legislation. As currently designed, Pillar Two will ultimately apply to the Company's worldwide operations. Considering the Company does not have material operations in jurisdictions with tax rates lower than the Pillar Two minimum, these rules are not expected to materially increase the Company's total global tax costs. At December 31, 2024, the enacted Pillar Two legislation did not have a material impact to the Company's global tax costs. Management will continue to monitor U.S. and foreign legislative actions related to Pillar Two for potential impacts.

## (Expressed in thousands of U.S. dollars)

## 3. Investments

The fair value of the Company's investments compared with their cost or amortized cost were:

| | December 31, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Cost / Amortized Cost | Allowance for Credit Losses | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Value on Balance Sheet (*) |
| **Held-to-maturity:** | | | | | | |
| Debt securities: | | | | | | |
| U.S. corporate debt securities | $ 439,705 | $ (2,365) | $ 955 | $ (17,296) | $ 420,999 | $ 437,340 |
| Foreign corporate and foreign government debt securities | 101,112 | (62) | - | (3,625) | 97,425 | 101,050 |
| Agency MBS | 330,007 | (893) | 5 | (44,660) | 284,459 | 329,114 |
| Non-agency MBS and ABS | 8,142 | (36) | - | (89) | 8,017 | 8,106 |
| Total HTM investments | 878,966 | (3,356) | 960 | (65,670) | 810,900 | 875,610 |
| **Available-for-sale:** | | | | | | |
| Debt securities: | | | | | | |
| U.S. Treasury securities and obligations of U.S. government corporations and agencies | 1,140,441 | - | 3,388 | (3,573) | 1,140,256 | 1,140,256 |
| U.S. corporate debt securities | 808,548 | - | 5,208 | (3,319) | 810,437 | 810,437 |
| Foreign corporate and foreign government debt securities | 787,032 | - | 2,408 | (23,487) | 765,953 | 765,953 |
| Agency MBS | 693,732 | - | 1,028 | (10,998) | 683,762 | 683,762 |
| Non-agency MBS and ABS | 443,616 | - | 5,901 | (14) | 449,503 | 449,503 |
| Direct lending | 7,663 | - | - | (19) | 7,644 | 7,644 |
| Total AFS investments | 3,881,032 | - | 17,933 | (41,410) | 3,857,555 | 3,857,555 |
| **Equity securities(**):** | | | | | | |
| Equity securities/REITs | 367,600 | - | 83,326 | (8,217) | 442,709 | 442,709 |
| Mutual funds bonds | 212,227 | - | 6,667 | (1,954) | 216,940 | 216,940 |
| Mutual funds equities | 138,355 | - | 11,210 | - | 149,565 | 149,565 |
| Total equity securities | 718,182 | - | 101,203 | (10,171) | 809,214 | 809,214 |
| **Other invested assets(**):** | | | | | | |
| Limited partnership/Direct lending | 224,731 | - | - | (4,691) | 220,040 | 220,040 |
| Overseas deposits | 70,112 | - | 660 | (349) | 70,423 | 70,423 |
| Real estate joint venture | 9,982 | - | - | - | 9,982 | 9,982 |
| Fund of funds | 629 | - | - | (230) | 399 | 399 |
| Total other invested assets | 305,454 | - | 660 | (5,270) | 300,844 | 300,844 |
| **Trading (**):** | | | | | | |
| Debt securities: | | | | | | |
| U.S. Treasury securities and obligations of U.S. government corporations and agencies | 241,742 | - | 65 | (26,027) | 215,780 | 215,780 |
| U.S. corporate debt securities | 147,396 | - | 378 | (9,151) | 138,623 | 138,623 |
| Foreign corporate and foreign government debt securities | 22,586 | - | 79 | (972) | 21,693 | 21,693 |
| Non-agency MBS and ABS | 820 | - | - | (25) | 795 | 795 |
| Total trading | 412,544 | - | 522 | (36,175) | 376,891 | 376,891 |
| **Total** | $ 6,196,178 | $ (3,356) | $ 121,278 | $ (158,696) | $ 6,155,404 | $ 6,220,114 |
| **Mortgage loans** | $ 103,317 | $ (9,381) | $ N/A | $ N/A | $ 96,938 | $ 93,936 |
| **Cash and cash equivalents** | $ 687,104 | $ - | $ N/A | $ N/A | $ 687,104 | $ 687,104 |

(*) As of December 31, 2024, HTM securities are held at cost/amortized cost and AFS and trading securities are held at fair value. In accordance with the adoption of ASU 2016-13 effective January 1, 2023, the table above reflects the recording of ACL's for HTM, AFS, and mortgage loans.

(**) All gains and losses associated with equity securities, other invested assets and trading securities are recorded in net investment income (loss).

N/A—Not Applicable

## (Expressed in thousands of U.S. dollars)

| | December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Cost / Amortized Cost | Allowance for Credit Losses | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Value on Balance Sheet (*) |
| **Held-to-maturity:** | | | | | | |
| Debt securities: | | | | | | |
| U.S. corporate debt securities | $ 548,477 | $ (2,835) | $ 1,563 | $ (23,097) | $ 524,108 | $ 545,642 |
| Foreign corporate and foreign government debt securities | 132,090 | (106) | - | (6,476) | 125,508 | 131,984 |
| Agency MBS | 341,148 | (1,091) | 149 | (37,139) | 303,067 | 340,057 |
| Non-agency MBS and ABS | 109,993 | (413) | - | (8,308) | 101,272 | 109,580 |
| Total HTM investments | 1,131,708 | (4,445) | 1,712 | (75,020) | 1,053,955 | 1,127,263 |
| **Available-for-sale:** | | | | | | |
| Debt securities: | | | | | | |
| U.S. Treasury securities and obligations of U.S. government corporations and agencies | 798,621 | - | 7,249 | (337) | 805,533 | 805,533 |
| U.S. corporate debt securities | 680,154 | - | 9,456 | (279) | 689,331 | 689,331 |
| Foreign corporate and foreign government debt securities | 615,336 | - | 12,207 | (467) | 627,076 | 627,076 |
| Agency MBS | 397,366 | - | 5,144 | (54) | 402,456 | 402,456 |
| Non-agency MBS and ABS | 381,442 | - | 4,610 | (129) | 385,923 | 385,923 |
| Syndicated bank loans/Direct lending | 15,047 | - | 5 | (1,681) | 13,371 | 13,371 |
| Total AFS investments | 2,887,966 | - | 38,671 | (2,947) | 2,923,690 | 2,923,690 |
| **Equity securities(**):** | | | | | | |
| Equity securities/REITs | 482,326 | - | 45,819 | (4,461) | 523,684 | 523,684 |
| Mutual funds bonds | 306,575 | - | 1,000 | - | 307,575 | 307,575 |
| Mutual funds equities | 38,000 | - | 2,105 | - | 40,105 | 40,105 |
| Total equity securities | 826,901 | - | 48,924 | (4,461) | 871,364 | 871,364 |
| **Other invested assets(**):** | | | | | | |
| Limited partnership/Direct lending | 216,307 | - | 1,192 | (6,438) | 211,061 | 211,061 |
| Fund of funds | 629 | - | - | - | 629 | 629 |
| Total other invested assets | 216,936 | - | 1,192 | (6,438) | 211,690 | 211,690 |
| **Trading (**):** | | | | | | |
| Debt securities: | | | | | | |
| U.S. Treasury securities and obligations of U.S. government corporations and agencies | 240,057 | - | 560 | (8,410) | 232,207 | 232,207 |
| U.S. corporate debt securities | 146,287 | - | 4,344 | (482) | 150,149 | 150,149 |
| Foreign corporate and foreign government debt securities | 11,874 | - | 375 | (35) | 12,214 | 12,214 |
| Total trading | 398,218 | - | 5,279 | (8,927) | 394,570 | 394,570 |
| **Total** | $ 5,461,729 | $ (4,445) | $ 95,778 | $ (97,793) | $ 5,455,269 | $ 5,528,577 |
| **Mortgage loans** | $ 154,362 | $ (17,798) | $ N/A | $ N/A | $ 146,664 | $ 136,564 |
| **Cash and cash equivalents** | $ 794,898 | $ - | $ N/A | $ N/A | $ 794,898 | $ 794,898 |

(*) As of December 31, 2023, HTM securities are held at cost/amortized cost and AFS and trading securities are held at fair value. In accordance with the adoption of ASU 2016-13 effective January 1, 2023, the table above reflects the recording of ACL's for HTM, AFS, and mortgage loans.

(**) All gains and losses associated with equity securities, other invested assets and trading securities are recorded in net investment income (loss).

N/A—Not Applicable

(Expressed in thousands of U.S. dollars)

**Held-to-Maturity Investments**

Proceeds from maturities of HTM investments were $130,455, $67,634 and $68,045 for the years ended December 31, 2024, 2023 and 2022, respectively. As these proceeds resulted from the maturity of securities at par, there were no gains or losses recognized related to these HTM investments.

**Available-for-Sale Investments and Equity Securities**

The Company's AFS and equity securities activities for the years ended December 31, were as follows:

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Purchases | $ 3,067,316 | $ 6,195,172 | $ 4,440,454 |
| Proceeds from sales | 1,498,751 | 4,132,259 | 2,230,229 |
| Gross gains | 20,285 | 49,524 | 32,316 |
| Gross losses (*) | 7,333 | 52,068 | 139,800 |
| Other-than-temporary impairment recognized | - | - | 90,957 |

(*) Gross losses in 2022 includes other-than-temporary impairments recognized.

**Trading Securities**

Proceeds from the sale of trading securities were $19,882 and $1,322, while purchases were $33,820 and $399,606 for the years ended December 31, 2024 and 2023, respectively. Recognized gross gains and losses of $132 and ($792) for the year ended December 31, 2024 and $5 and ($62) for the year ended December 31, 2023, respectively.

**Other Invested Assets**

Other invested assets are comprised of investments accounted for in accordance with the equity method of accounting, namely fund of funds, real estate joint venture and limited partnership interests, which are carried at fair value. Also included in Other invested assets are Overseas deposits which are measured at fair value.

The Company's Other invested assets activities for the years ended December 31, are as follows:

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Purchases | $ 44,072 | $ 30,509 | $ 102,814 |
| Proceeds from sales | 35,647 | 81,516 | 58,036 |
| Net recognized (losses) gains | - | (2,111) | (1,685) |

**Evaluation of Fixed Maturity Securities for Credit Loss and Measurement**

A wide range of factors are considered when evaluating the possibility of credit losses in an individual security or in a portfolio of assets, as well as in estimating a credit loss allowance, including: (i) the extent to which a security's estimated fair value is below amortized cost, (ii) conditions relating to the security, including its industry sector or sub-sector, the economic environment of the geographic area resulting in an adverse change in the financial condition of the issuer of the security, changes in technology, discontinuance of a segment of the business that may affect future earnings, and changes in the quality of credit enhancement, (iii) payment structure of the security and likelihood of the issuer being able to make payments, (iv) failure of the issuer to make scheduled interest and principal payments, (v) whether the issuer, or series of issuers or an industry has suffered a catastrophic loss or has exhausted natural resources, (vi) whether the Company has the intent to sell or will more likely than not be required to sell a particular security before the decline in estimated fair value below amortized cost recovers, (vii) for structured products, changes in forecasted cash flows after considering the changes in the financial condition of the underlying loan obligors and quality of underlying collateral, expected prepayment speeds, current and forecasted loss severity, consideration of the payment terms of the underlying assets backing a particular security, and the payment priority within the tranche structure of the security, (viii) changes in the rating of the security by a rating agency, and (ix) other factors.

(Expressed in thousands of U.S. dollars)

**HTM Measurement**

For HTM securities, a quantitative analysis was performed by the Company to determine an expected ACL. For the quantitative analysis, a model is used that utilizes a long-term average transition matrix to derive a set of probabilities of default for securities by credit rating, by security grouping, which is combined with loss given default factors to derive loss estimates. Included in the quantitative model is the ability for management to add qualitative adjustments for considerations previously listed, though no qualitative factors were added in 2024 and 2023. The source data behind the transition matrix looks at issuer ratings and how ratings downgrades can lead to default for the issuer's debt. It provides a set of probabilities that can the applied to default factors that represent an estimate of loss given an actual default event. Highly rated and government backed issuances are considered zero credit loss issuances and require no ACL.

The ACL balances for HTM securities at December 31, are summarized as follows:

| | U.S. Corporate | Foreign Corporate and Government | Agency MBS | Non-agency MBS and ABS | Total |
|---|---|---|---|---|---|
| Balance 12/31/2022 | $ - | $ - | $ - | $ - | $ - |
| Change in accounting principle 1/1/2023 | 3,319 | 155 | 1,347 | 546 | 5,367 |
| Provision (release) on securities with previous balance | (484) | (49) | (256) | (133) | (922) |
| Balance 12/31/2023 | $ 2,835 | $ 106 | $ 1,091 | $ 413 | $ 4,445 |
| Provision (release) on securities with previous balance | (470) | (44) | (198) | (377) | (1,089) |
| Balance 12/31/2024 | $ 2,365 | $ 62 | $ 893 | $ 36 | $ 3,356 |

**AFS Measurement**

For AFS debt securities that are in an unrealized loss position (fair value is lower than amortized cost), and for which there is an intent to sell or inability to hold the security prior to recovery, the amortized cost of the security would be reduced to fair value and a loss recognized in net investment income (loss).

For all other AFS securities in an unrealized loss position, the Company performs an assessment to determine whether a portion of the unrealized loss is due to credit losses. U.S. treasury and other government-backed securities are excluded from the assessment, as the risk of default is remote. The Company considers changes in credit ratings or the addition of securities to a portfolio manager's watch list as evidence of potential credit related impairment.

Further analysis is performed for those AFS securities in an unrealized loss position that exhibit indications of a potential credit loss, which may include comparing the present value of expected future cash flows to the amortized cost. The ACL is the excess of the amortized cost over the greater of the Company's best estimate of the present value of expected future cash flows or the security's fair value. Alternatively, the Company may utilize a more expedient approach and establish an allowance for the difference between the amortized cost and the fair value of the securities. The ACL cannot exceed the unrealized loss, and therefore it may fluctuate with changes in the fair value of fixed maturity securities.

At December 31, 2024 and 2023, no AFS securities required an ACL, based on:

1) The Company did not intend to sell AFS securities in a net unrealized loss position.
2) The Company determined that it was not more likely than not required to sell the securities before the anticipated recovery period.
3) None of the AFS securities in an unrealized loss position exhibited sufficient evidence that the losses were driven by credit factors.

For AFS and HTM securities, the Company reassesses credit losses quarterly. Subsequent increases or decreases in the unrealized gains and losses associated with the securities subject to ACL will result in a corresponding decreases or increases in the ACL which are recognized in earnings and reported within net investment gains (losses).

(Expressed in thousands of U.S. dollars)

**Maturities of Debt Securities**

The amortized cost and fair value of AFS and HTM debt securities at December 31, 2024, by contractual maturity, are shown in the following table. As MBS and ABS are generally more likely to be prepaid than other fixed maturity securities, MBS and ABS are shown separately.

| | Available-for-Sale | | Held-to-Maturity | | Trading | |
|---|---|---|---|---|---|---|
| | Amortized Cost | Fair Value (*) | Amortized Cost | Fair Value (*) | Amortized Cost | Fair Value |
| Due in 1 year or less | $ 417,100 | $ 413,322 | $ 134,531 | $ 132,908 | $ - | $ - |
| Due after 1 year through 5 years | 2,079,017 | 2,070,527 | 191,650 | 184,568 | 24,976 | 24,852 |
| Due after 5 years through 10 years | 238,603 | 231,399 | 98,617 | 93,913 | 48,217 | 46,169 |
| Due after 10 years | 8,964 | 9,042 | 116,019 | 107,035 | 338,531 | 305,075 |
| Subtotal | 2,743,684 | 2,724,290 | 540,817 | 518,424 | 411,724 | 376,096 |
| Agency MBS | 693,732 | 683,762 | 330,007 | 284,459 | - | - |
| Non-agency MBS and ABS | 443,616 | 449,503 | 8,142 | 8,017 | 820 | 795 |
| Total debt securities | $ 3,881,032 | $ 3,857,555 | $ 878,966 | $ 810,900 | $ 412,544 | $ 376,891 |

Expected maturities will differ from contractual maturities because underlying borrowers have the right to call or prepay certain obligations with or without prepayment penalties.

(*) The fair value amounts for AFS and HTM are reflected net of ACL and ACL does not apply to Trading investments.

(Expressed in thousands of U.S. dollars)

**Net Investment Income (Loss)**

Net investment income (loss) for the years ended December 31, are as follows:

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Interest and dividend income | $ 287,712 | $ 227,153 | $ 123,872 |
| Net realized investment gains (losses) (*) | 24,220 | (11,594) | (112,323) |
| Net realized foreign currency (losses) gains | (5,454) | (7,606) | (7,559) |
| Net unrealized investment gains (losses) | 23,269 | 49,050 | (59,579) |
| Net unrealized gains (losses) on foreign currency forward contracts | - | - | 427 |
| Total investment income (loss) | 329,747 | 257,003 | (55,162) |
| Investment expenses | (19,615) | (19,782) | (20,736) |
| Net investment income (loss) | $ 310,132 | $ 237,221 | $ (75,898) |

(*) Includes the recording of ACL expenses and releases of provisions beginning January 1, 2023.

(Expressed in thousands of U.S. dollars)

## 4. Fair Value Measurements

The following tables present information about assets and liabilities carried at fair value:

| | December 31, 2024 | | | | |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Investments Valued at NAV (*) | Total |
| **Assets:** | | | | | |
| Investments: | | | | | |
| Debt securities: | | | | | |
| U.S. Treasury securities and obligations of U.S. government corporations and agencies | $ - | $ 1,140,256 | $ - | $ - | $ 1,140,256 |
| U.S. corporate debt securities | - | 810,437 | - | - | 810,437 |
| Foreign corporate and foreign governments debt securities | - | 765,953 | - | - | 765,953 |
| Agency MBS | - | 683,762 | - | - | 683,762 |
| Non-Agency MBS and ABS | - | 449,503 | - | - | 449,503 |
| Direct lending | - | - | 7,644 | - | 7,644 |
| Total AFS investments | - | 3,849,911 | 7,644 | - | 3,857,555 |
| Equity securities: | | | | | |
| Equity securities/REITs | 293,195 | - | - | 149,514 | 442,709 |
| Mutual fund bonds | - | 58,907 | - | 158,033 | 216,940 |
| Mutual fund equities | - | - | - | 149,565 | 149,565 |
| Total equity securities | 293,195 | 58,907 | - | 457,112 | 809,214 |
| Other invested assets: | | | | | |
| Overseas deposits | - | 70,423 | - | - | 70,423 |
| Total other invested assets | - | 70,423 | - | - | 70,423 |
| Trading securities: | | | | | |
| U.S. Treasury securities and obligations of U.S. government corporations and agencies | - | 215,780 | - | - | 215,780 |
| U.S. corporate debt securities | - | 138,623 | - | - | 138,623 |
| Foreign corporate and foreign governments debt securities | - | 21,693 | - | - | 21,693 |
| Non-Agency MBS and ABS | - | 795 | - | - | 795 |
| Total trading securities | - | 376,891 | - | - | 376,891 |
| Cash equivalents including money market funds and short-term debt securities (**) | - | 505,515 | - | - | 505,515 |
| Total | $ 293,195 | $ 4,861,647 | $ 7,644 | $ 457,112 | $ 5,619,598 |
| **Liabilities:** | | | | | |
| Fair value of insurance and reinsurance contracts | - | - | 386,978 | - | 386,978 |
| Total | $ - | $ - | $ 386,978 | $ - | $ 386,978 |

(*) Investments valued using NAV as a practical expedient are listed in a separate column, as they are excluded from the Fair Value Measurement tables.

(**) Cash equivalents with a maturity of less than three months from purchase date are carried at amortized cost in the table above which approximates fair value. Excludes operating cash.

Investments in the Fair Value Measurement table above exclude HTM securities and mortgage loans as these are carried at cost/amortized cost. Also excluded are other invested assets, which are comprised of investments accounted for in accordance with the equity method of accounting, namely fund of fund and limited partnership interests.

(Expressed in thousands of U.S. dollars)

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Investments Valued at NAV (*) | Total |
| **Assets:** | | | | | |
| Investments: | | | | | |
| Debt securities: | | | | | |
| U.S. Treasury securities and obligations of U.S. government corporations and agencies | $ - | $ 805,533 | $ - | $ - | $ 805,533 |
| U.S. corporate debt securities | - | 689,331 | - | - | 689,331 |
| Foreign corporate and foreign governments debt securities | - | 627,076 | - | - | 627,076 |
| Agency MBS | - | 402,456 | - | - | 402,456 |
| Non-Agency MBS and ABS | - | 385,923 | - | - | 385,923 |
| Syndicated bank loans/Direct lending | - | 3,941 | 9,430 | - | 13,371 |
| Total AFS investments | - | 2,914,260 | 9,430 | - | 2,923,690 |
| Equity securities: | | | | | |
| Equity securities/REITs | 337,449 | - | - | 186,235 | 523,684 |
| Mutual fund bonds | - | 307,575 | - | - | 307,575 |
| Mutual fund equities | 40,105 | - | - | - | 40,105 |
| Total equity securities | 377,554 | 307,575 | - | 186,235 | 871,364 |
| Trading securities: | | | | | |
| U.S. Treasury securities and obligations of U.S. government corporations and agencies | - | 232,207 | - | - | 232,207 |
| U.S. corporate debt securities | - | 150,149 | - | - | 150,149 |
| Foreign corporate and foreign governments debt securities | - | 12,214 | - | - | 12,214 |
| Total trading securities | - | 394,570 | - | - | 394,570 |
| Cash equivalents including money market funds and short-term debt securities (**) | 7,989 | 515,829 | - | - | 523,818 |
| Total | $ 385,543 | $ 4,132,234 | $ 9,430 | $ 186,235 | $ 4,713,442 |
| **Liabilities:** | | | | | |
| Fair value of insurance and reinsurance contracts | - | - | 392,523 | - | 392,523 |
| Total | $ - | $ - | $ 392,523 | $ - | $ 392,523 |

(*) Investments valued using NAV as a practical expedient are listed in a separate column, as they are excluded from the Fair Value Measurement tables.

(**) Cash equivalents with a maturity of less than three months from purchase date are carried at amortized cost in the table above which approximates fair value. Excludes operating cash.

Investments in the Fair Value Measurement table above exclude HTM securities and mortgage loans as these are carried at cost/amortized cost. Also excluded are other invested assets, which are comprised of investments accounted for in accordance with the equity method of accounting, namely fund of fund and limited partnership interests, as well as convertible securities, which are carried at fair value. Convertible securities utilize the same valuation techniques as corporate debt securities, and therefore would be classified as Level 2 securities.

(Expressed in thousands of U.S. dollars)

**Transfers of Assets and Liabilities between Fair Value Levels**

The Company's policy is to transfer assets and liabilities into and out of Level 3 at their fair values at the end of each reporting period, consistent with the date of the determination of fair value. There were no transfers in or out of Level 3 as of December 31, 2024.

The following tables present additional information about Level 3 assets and liabilities measured at fair value on a recurring basis at December 31:

| | Insurance and Reinsurance Contracts | | | Direct Lending Investments | | |
|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2022 | 2024 | 2023 | 2022 |
| Balance, January 1 | $ (392,523) | $ (396,913) | $ (537,232) | $ 9,430 | $ 13,518 | $ 18,601 |
| Total gains (losses) realized/unrealized included in earnings | 13,009 | 2,133 | 149,793 | 1,660 | (330) | (380) |
| Issuances, purchases, and settlements: | | | | | | |
| Issuances | (31,418) | (33,300) | (36,300) | - | - | - |
| Purchases | - | - | 984 | - | - | - |
| Settlements | 23,954 | 35,557 | 25,842 | (3,446) | (3,758) | (4,703) |
| Balance, December 31 | $ (386,978) | $ (392,523) | $ (396,913) | $ 7,644 | $ 9,430 | $ 13,518 |
| Changes in unrealized gains (losses) included in earnings related to obligations still held at reporting date | $ 13,009 | $ 2,133 | $ 149,793 | $ 1,660 | $ (330) | $ (380) |

The table below presents information about the significant unobservable inputs used for recurring fair value measurements for insurance and reinsurance contracts:

***Quantitative Information for Level 3 Fair Value Measurements***

| Fair Value at December 31, 2024 | Valuation Technique | Unobservable Input | Selected Estimate |
|---|---|---|---|
| $ 386,978 | Risk-adjusted discounted cash flows | Nominal net value of contracts | $ 661,676 |
| | | Effective average discount rate(*) | 52.20% |
| | | Risk margin(**) | 9.45% |

| Fair Value at December 31, 2023 | Valuation Technique | Unobservable Input | Selected Estimate |
|---|---|---|---|
| $ 392,523 | Risk-adjusted discounted cash flows | Nominal net value of contracts | $ 651,058 |
| | | Effective average discount rate(*) | 54.29% |
| | | Risk margin(**) | 9.40% |

(*) *The effective average discount rate reflects the ratio of discounted future obligations over undiscounted payment patterns until final settlement. A decrease in interest rates increases both the effective average discount rate and the fair value of insurance and reinsurance contracts, with a corresponding reduction in net income. Should interest rates rise, both the discount rate and the fair value of the insurance and reinsurance contracts would decline with a corresponding increase to net income.*

(**) *Risk reserve margin is expressed as a percentage of discounted loss liabilities and reflects the risk associated with the timing and amount of future loss payments.*

(Expressed in thousands of U.S. dollars)

The Company's insurance and reinsurance contracts do not have observable market prices. The fair value of insurance and reinsurance contracts represents the Company's estimate of the cost to completely transfer its obligations and related reinsurance assets to another party of comparable creditworthiness.

The fair value of insurance and reinsurance contracts is based on the present value of expected future cash flows and a risk margin that would be payable to transfer the obligation to a third party. Expected future cash flows are comprised primarily of estimated payments to be made by the Company under the insurance contracts net of anticipated future recoveries under the related reinsurance contracts. The Company estimates future cash flows based on expected loss and loss expense payments estimated using accepted actuarial techniques, the timing of related future cash receipts or payments from these contracts and risk-free discount rates. A risk margin is calculated for potential deviations in the amount and timing of those estimated cash flows given the credit rating of the Company as well as additional return on capital a purchaser would require. These estimates are not observable in any marketplace, and actual future cash flows or other inputs could differ materially from these estimates.

The Company also holds an investment in a direct lending limited partnership, managed by a general partner. This investment is consolidated in the Company's financial statements, as it meets the VIE criteria for consolidation. The underlying investments in the partnership are classified as Level 3. The investments are comprised of various types of instruments, such as senior secured term loans, senior floating rate debt, and syndicated bank loans. The Company reviews the leveling techniques applied by the partnership to its investments, but relies on the partnership's specific pricing models, internal assumptions and the weighting of the best available pricing inputs. Standard pricing inputs for the securities held by the limited partnership include, but are not limited to, the financial health of the issuer, place in the capital structure, value of other issuer debt; credit, industry, and market risk and events; interest rates, spreads and yield curves; terms and conditions including a take-out premium; and comparable market transactions. Pricing inputs and weightings may require a subjective determination to arrive at an accurate valuation; therefore, valuations do not necessarily represent the amounts that may eventually be realized from sales or other dispositions of investments.

## 5. Mortgage Loans

The Company's mortgage loan portfolio consists of both residential and commercial loans. The loans are pro-rata participations in loans originated by a third party (the "Ultimate Lender") and can be either fixed or floating rate loans.

Mortgage loans at December 31, are summarized as follows:

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | **Carrying Value*** | **Fair Value** | **% of Total** | **Carrying Value*** | **Fair Value** | **% of Total** |
| Mortgage loans: | | | | | | |
| Commercial | $ 76,952 | $ 70,646 | 81.9% | $ 117,284 | $110,802 | 85.9% |
| Residential | 26,365 | 26,292 | 28.1 | 37,078 | 35,862 | 27.2 |
| Subtotal | 103,317 | 96,938 | 110.0 | 154,362 | 146,664 | 113.1 |
| Allowance for credit losses | (9,381) | - | (10.0) | (17,798) | - | (13.1) |
| Total, net | $ 93,936 | $ 96,938 | 100.0% | $ 136,564 | $146,664 | 100.0% |

*Carrying value before ACL includes unearned loan commitment fees as of December 31, 2024 and 2023 of $105 and $243, respectively.

(Expressed in thousands of U.S. dollars)

Purchases of mortgage loans were $704 and $1,118 for the years ended December 31, 2024 and 2023, respectively. The investment in mortgage loans would be classified as Level 3 investments, as determined based on the Company's fair value measurement framework but are excluded from the fair value measurement table in Note 4 as they are carried at cost. The Company reviews various loan performance metrics and considers the originators' pricing techniques and valuation criteria.

The changes in the ACL, by portfolio segment, were as follows:

| | Commercial | Residential | Total |
|---|---|---|---|
| Balance at December 31, 2022 | $ 3,210 | $ 399 | $ 3,609 |
| Provision (release) | 9,480 | 854 | 10,334 |
| Cumulative effect of change in accounting principle at 1/1/2023 | 3,843 | 12 | 3,855 |
| Balance at December 31, 2023 | 16,533 | 1,265 | 17,798 |
| Provision (release) | (7,254) | (1,163) | (8,417) |
| Balance at December 31, 2024 | $ 9,279 | $ 102 | $ 9,381 |

***Commercial and Residential Allowance for Credit Losses Methodology***

Commercial and residential loans are pooled by risk rating, and an estimated lifetime loss rate is assigned to each unique risk rating. These loss rates are applied to the amortized cost of each loan and aggregated to develop the ACL. Risk ratings are based on an assessment of the loan's credit quality, which can change over time. The estimated lifetime loss rates are based on several loan portfolio specific factors, including (i) the Company's experience with defaults and loss severity, (ii) expected default and loss severity, (iii) current and forecasted economic conditions including growth, inflation, interest rates and unemployment levels, (iv) prepayment rates and (v) loan specific characteristics including loan-to-value ("LTV") ratios. These evaluations are revised as conditions change and new information becomes available. In addition to historical experience, management considers factors that include the impact of a rapid change to the economy, which may not be reflected in the loan portfolio's valuation, recent loss and recovery trend experience as compared to historical loss and recovery experience, and loan specific characteristics including debt service coverage ratios ("DSCR").

In estimating expected lifetime credit loss over the term of its commercial and residential mortgage loans, the Company may adjust for expected prepayment and extension experience during the period using historical and current prepayment and extension experience provided by the Ultimate Lender. Residential and commercial mortgage loans are reviewed on an ongoing basis. The Ultimate Lender's review includes, but is not limited to, an analysis of lease occupancies, estimated market values, review of underlying collateral information provided, LTV ratios, DSCR and tenant creditworthiness. The monitoring process focuses on higher risk loans, which include those that are classified as restructured or non-performing, as well as loans with higher LTV ratios and lower DSCR, as these loans present the greatest risk of experiencing a credit loss. The Company incorporates the DSCR, because it compares the properties' operating income to amounts needed to service the loan's principal and interest. The lower the DSCR, the higher the risk the loan will experience a credit loss. The LTV ratio of the real estate portfolio is also closely monitored, as LTV ratio compares the unpaid principal balance of the loan to the fair value of the loan's underlying collateral. The higher the LTV ratio, the higher the risk of experiencing credit loss.

## (Expressed in thousands of U.S. dollars)

*Modifications to Borrowing Terms*

The loan terms associated with the Company's respective investments in commercial and residential real estate loan participations is impacted if the Ultimate Lender agrees to modify the borrower's loan terms. The Ultimate Lender evaluates each mortgage loan modification to determine whether the borrower is experiencing financial difficulties. If the borrower is experiencing financial difficulties, the Ultimate Lender may modify the mortgage loans through principal forgiveness, loan interest rate reductions, and other-than-insignificant payment delay or term extension. The amount, timing and extent of modifications granted are considered in determining any ACL associated with a loan. At December 31, 2024 and 2023, all loans, including those with modified terms were considered current.

***Credit Quality of Mortgage Loans***

The credit quality of mortgage loans as of December 31, excluding unearned loan fees, was as follows:

| **December 31, 2024** | **Commercial** | **Residential** | **Total Cost** | **Total Estimated Fair Value** | **% of Total (*)** |
|---|---|---|---|---|---|
| **Loan-to-value ratios:** | | | | | |
| Less than 65% | $ 24,979 | $ 12,000 | $ 36,979 | $ 36,837 | 38.0% |
| 65% to 75% | - | - | - | - | - |
| 76% to 85% | 13,867 | 14,375 | 28,242 | 27,676 | 28.6 |
| Greater than 85% | 38,201 | - | 38,201 | 32,425 | 33.4 |
| Total | $ 77,047 | $ 26,375 | $ 103,422 | $ 96,938 | 100.0% |

| **December 31, 2023** | **Commercial** | **Residential** | **Total Cost** | **Total Estimated Fair Value** | **% of Total (*)** |
|---|---|---|---|---|---|
| **Loan-to-value ratios:** | | | | | |
| Less than 65% | $ 9,979 | $ 12,000 | $ 21,979 | $ 21,606 | 14.7% |
| 65% to 75% | 55,755 | - | 55,755 | 54,360 | 37.1 |
| 76% to 85% | 20,527 | 14,375 | 34,902 | 33,982 | 23.2 |
| Greater than 85% | 31,221 | 10,748 | 41,969 | 36,716 | 25.0 |
| Total | $ 117,482 | $ 37,123 | $ 154,605 | $ 146,664 | 100.0% |

(*) Percentage of total includes carrying value.

(Expressed in thousands of U.S. dollars)

| December 31, 2024 | Commercial | Residential | Total Cost | % of Total |
|---|---|---|---|---|
| **Debt service credit ratio:** | | | | |
| Greater than 1.2x | $ 45,145 | $ 26,375 | $ 71,520 | 69.1% |
| 1.0x to 1.2x | 7,332 | - | 7,332 | 7.1 |
| Less than 1.0x | 24,570 | - | 24,570 | 23.8 |
| Total | $ 77,047 | $ 26,375 | $ 103,422 | 100.0% |

| December 31, 2023 | Commercial | Residential | Total Cost | % of Total |
|---|---|---|---|---|
| **Debt service credit ratio:** | | | | |
| Greater than 1.2x | $ 96,752 | $ 37,123 | $ 133,875 | 86.6% |
| 1.0x to 1.2x | 10,703 | - | 10,703 | 6.9 |
| Less than 1.0x | 10,027 | - | 10,027 | 6.5 |
| Total | $ 117,482 | $ 37,123 | $ 154,605 | 100.0% |

## 6. Variable Interest Entities

The Company, through its subsidiary, AEGIS London Holding, holds investments in two entities that are variable interest entities ("VIEs"). Collectively, the VIEs provide underwriting capacity to AEGIS London and maintain whole account quota share reinsurance contracts with third parties. The Company holds the power to direct the most significant activities of the entities, as well as an economic interest in the entities and, as such, is the primary beneficiary. Therefore, these VIEs are included in the consolidated Company's financial statements.

The Company invests in a limited partnership direct lending investment, and based on its contractual commitment, its economic interest in the partnership and its span of control, the investment is treated as a VIE and included in the consolidated Company's financial statements.

The determination of a VIE's primary beneficiary requires an evaluation of the Company's obligations in relation to other parties' relationship or involvement with the entity, as well as a determination of the allocation of expected residual returns or expected losses to each party involved in the transaction. While a qualitative approach is applied, for VIEs that are investment companies, the primary beneficiary is considered to be the party absorbing a majority of the VIE's expected losses or receiving a majority of the VIE's expected returns.

(Expressed in thousands of U.S. dollars)

The table below reflects the carrying amount and balance sheet caption in which the assets and liabilities of the consolidated VIE's reported as of December 31:

| | Reinsurance Contracts | | Direct Lending | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Cash and cash equivalents | $ - | $ 32 | $ 260 | $ 452 |
| Investments | - | - | 7,644 | 9,430 |
| Accrued interest | - | - | 2 | 6 |
| Other assets | - | - | 55 | 103 |
| Prepaid reinsurance premiums | - | 527 | - | - |
| Net deferred tax assets | - | - | 289 | 314 |
| Total Assets of Consolidated VIEs | $ - | $ 559 | $ 8,250 | $10,305 |
| Due to reinsurers | $ - | $ 4,492 | $ - | $ - |
| Current income taxes payable | - | - | 3,063 | 2,881 |
| Accrued expenses and other liabilities | - | 18 | 36 | 33 |
| Total Liabilities of Consolidated VIEs | $ - | $ 4,510 | $ 3,099 | $ 2,914 |

## 7. Premiums

Written and earned premiums are comprised of the following:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| Written Premiums: | | | |
| Direct | $ 2,720,799 | $ 2,586,208 | $ 2,630,540 |
| Assumed | 240,482 | 250,235 | 18,981 |
| Subtotal | 2,961,281 | 2,836,443 | 2,649,521 |
| Ceded | 1,074,324 | 1,016,398 | 999,271 |
| Net | $ 1,886,957 | $ 1,820,045 | $ 1,650,250 |
| Earned Premiums: | | | |
| Direct | $ 2,607,037 | $ 2,475,766 | $ 2,501,595 |
| Assumed | 237,203 | 233,094 | 16,811 |
| Subtotal | 2,844,240 | 2,708,860 | 2,518,406 |
| Ceded | 1,023,401 | 985,943 | 983,956 |
| Net | $ 1,820,839 | $ 1,722,917 | $ 1,534,450 |

## 8. Reserve for Losses, Loss Expenses, and Reinsurance

The Company establishes reserves based on estimated unpaid ultimate liabilities for losses and loss expenses. Reserves include both estimates of reported claims and incurred but not reported ("IBNR") claims, and include estimates of expenses associated with the processing and settlement of the related claims. Reserves are recorded in reserve for losses and loss expenses in the consolidated balance sheets. While the Company believes that its reserves for loss and loss expenses at December 31, 2024 are adequate, new information or trends may lead to future developments, which may result in the need for significantly greater or lesser reserves than were provided. Any such future revisions would result in changes in estimates of losses or reinsurance and would be reflected in the Company's results of operations in the period in which the estimates are adjusted.

(Expressed in thousands of U.S. dollars)

Activity in the reserve for losses and loss expenses is summarized as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| Reserve for losses and loss expenses at January 1 | $5,563,354 | $5,525,263 | $4,863,806 |
| Unpaid losses and loss expenses recoverable | (2,357,522) | (2,568,574) | (2,199,725) |
| Net reserve for losses and loss expenses at January 1 | 3,205,832 | 2,956,689 | 2,664,081 |
| Net incurred losses and loss expenses relating to losses occurring in: | | | |
| Current year | 1,096,342 | 1,034,906 | 1,029,422 |
| Prior years | (44,446) | 19,862 | (2,175) |
| Subtotal | 1,051,896 | 1,054,768 | 1,027,247 |
| Foreign exchange (gains) losses | (15,012) | 24,295 | (29,934) |
| Total net incurred losses and loss expenses | 1,036,884 | 1,079,063 | 997,313 |
| Net paid losses and loss expenses relating to losses occurring in: | | | |
| Current year | 161,607 | 137,949 | 165,314 |
| Prior years | 827,761 | 691,971 | 539,391 |
| Total net paid losses and loss expenses | 989,368 | 829,920 | 704,705 |
| Net reserve for losses and loss expenses at December 31 | 3,253,348 | 3,205,832 | 2,956,689 |
| Unpaid losses and loss expenses recoverable | 2,532,319 | 2,357,522 | 2,568,574 |
| Reserve for losses and loss expenses at December 31 | $5,785,667 | $5,563,354 | $5,525,263 |

For purposes of analysis and reporting, the Company segments its reserve for losses and loss expenses, and related incurred losses, into segments that generally align with insurance products or lines of business that have similar characteristics, trends and development patterns. The following is a description of each reserve-reporting segment:

***U.S.—Excess Liability***

Excess liability policies cover exposures, which include, but are not limited to, bodily injury, property damage and personal injury arising out of certain hazards. Included within Excess Liability are AEGIS' pollution exposures. The excess liability product is predominately written on a claims first-made basis. The coverage of these policies is triggered only if a claim is made against the insured or a notice of circumstances is provided to the Company within the coverage period.

***U.S.—Property & Renewables***

Property policies provide all-risk property coverage for direct physical loss or damage to real and personal property of operational facilities, and under builder's risk policy for the construction and testing of new facilities and upgrading existing facilities. Renewable policies provide property coverage for the renewable energy industry, including solar, battery storage facilities, and onshore and offshore wind assets.

***U.S.—Directors & Officers ("D&O")***

D&O coverage covers liabilities of the Company including personal liabilities for the directors and officers.

(Expressed in thousands of U.S. dollars)

***Syndicate***

Syndicate covers a wide range of onshore and offshore energy risks, including a number of other classes, traditionally written in the Lloyd's syndicate market. The insurance portfolio is comprised of two main business lines: property and casualty, which includes the marine energy and specialty lines. The Syndicate has diverse insurance portfolios under its property and casualty lines of business, which consists of several classes of underwritten risks.

*Syndicate—Property* The main risks underwritten include property facilities, property, open market, energy property, marine short hull and war, marine short tail and cargo, property utility, crop and reinsurance.

*Syndicate—Casualty* The main risks underwritten include U.S. casualty and international casualty, niche errors and omissions, marine casualty and energy casualty.

***Other***

The Company has assumed business from various third parties and provides coverage on various risk exposures, which include cyber risk, generation outage, railroad protection liability, fiduciary, and employee beneficiary liability and other specialty lines.

**Prior Year Loss Development**

Changes in actuarial estimates of insured events in the prior years have resulted in a net (decrease) increase for the reserve for losses and loss expenses of ($44,446), $19,862 and ($2,175) for the years ended December 31, 2024, 2023 and 2022, respectively.

The impact of prior accident year development on loss reserves for each of the reserve reporting segments is presented below:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| US - Excess Liability | $ 91,852 | $ 66,345 | $ 64,110 |
| US – Property & Renewables | (19,938) | 2,642 | (3,591) |
| US - Directors & Officers | (15,834) | (5,820) | (7,623) |
| Syndicate - Property | (65,988) | (21,174) | (73,258) |
| Syndicate - Casualty | (36,365) | (17,883) | 26,037 |
| Other | 1,827 | (4,248) | (7,850) |
| Total (favorable) unfavorable prior year development | $ (44,446) | $ 19,862 | $ (2,175) |

The following describes the primary factors behind prior year reserve development for the years ended December 31, 2024, 2023 and 2022.

*2024*

| | |
|---|---|
| U.S.—Excess Liability | Unfavorable development driven by environmental exposures. |
| U.S.—Property & Renewables | Favorable development due to better than anticipated attritional loss experience. |
| U.S.—D&O | Favorable development due to decreased large claim activity. |
| Syndicate—Property | Benign attritional/large experience in recent years and lack of catastrophe losses |
| Syndicate—Casualty | Favorable due to reserve releases for US and International Casualty and US Errors and Omissions. |

*2023*

| | |
|---|---|
| U.S.—Excess Liability | Unfavorable development driven by environmental exposures. |
| U.S.—Property & Renewables | Unfavorable development due to worse than anticipated attritional loss experience. |
| U.S.—D&O | Favorable development due to decreased large claim activity. |
| Syndicate—Property | Favorable movement due to better than expected attritional claims experience given the current hard market conditions. |
| Syndicate—Casualty | Favorable movement due to reserve releases in International Casualty. |

*2022*

| | |
|---|---|
| U.S.—Excess Liability | Unfavorable development driven by environmental exposures. |
| U.S.—Property & Renewables | Favorable development driven by better than expected attritional loss experience. |
| U.S.—D&O | Favorable development due to decreased large claim activity. |
| Syndicate—Property | Favorable movement due to better than expected attritional claims experience given the current hard market conditions. |
| Syndicate—Casualty | Strengthening driven by US Casualty due to increased loss activity over the year as well as increased provisions and an increased inflation allowance for prior years. |

(Expressed in thousands of U.S. dollars)

***Short Duration***

The following represents: (I) reconciliation from the claim development tables to the balance sheet liability, (II) methodologies and judgments in estimating claims, and (III) the timing and frequency of claims.

**(I) Reconciliation of Reserves by Segment to Balance Sheet Liability—Reserve for losses and loss expenses**

The table below presents a reconciliation of the loss development tables to the liability for reserve for losses and loss expenses as of December 31:

| | 2024 |
|---|---|
| ***Net reserve for losses and loss expenses*** | |
| Presented in the loss development tables: | |
| US - Excess Liability | $ 1,631,536 |
| US – Property & Renewables | 229,021 |
| US - Directors & Officers | 120,612 |
| Syndicate - Property | 492,584 |
| Syndicate - Casualty | 545,983 |
| Syndicate – before 2015 | 31,903 |
| Other | 150,712 |
| Net reserve for losses and loss expenses | $ 3,202,351 |
| ***Ceded reserve for losses and loss expenses:*** | |
| US - Excess Liability | 1,415,015 |
| US – Property & Renewables | 343,286 |
| US - Directors & Officers | 156,065 |
| Syndicate - Property | 155,489 |
| Syndicate - Casualty | 393,338 |
| Syndicate – before 2015 | 21,664 |
| Other | 47,462 |
| Ceded reserve for losses and loss expenses | 2,532,319 |
| Unallocated loss adjustment expenses | 50,997 |
| Reserve for losses and loss expenses | $ 5,785,667 |

Unallocated loss adjustment expenses and the reserve segment Other are excluded from the loss development tables in section (III). "Other" is comprised of the following:

- Business assumed from third parties.
- Minor lines of business mostly consisting of Cyber and Generation Outage products.
- Run-off lines of business.
- Bad debt for reinsurance recoverable.
- Other adjustments.

**(II) Description of Reserving Methodology**

The Company's reserving process involves the collaboration of our Underwriting, Claims, Actuarial, and Finance divisions, and it culminates with the approval of a single point best estimate by senior management. In selecting this best estimate, management considers actuarial estimates and applies informed judgment regarding qualitative factors that may not be fully captured in these actuarial estimates. Such factors include, but are not limited to:

- The timing of the emergence of claims
- Volume and complexity of claims
- Social and judicial trends
- Potential severity of individual claims

The following factors are also taken into consideration when establishing management's best estimate: exposure trends, rate adequacy on new and renewal business, ceded reinsurance costs, changes in claims emergence, and our underwriters' view of terms and conditions in the insurance and reinsurance market environment. The reserving approach is a comprehensive ground-up process using data at a detailed level, which reflects the specific lines and sublines. The data presented in this disclosure was prepared on a more aggregated basis and with a focus on changes in incurred loss estimates over time as well as associated cash flows. On no less than an annual basis, the Company uses an independent actuarial firm to provide an actuarial opinion on the reasonableness of our loss reserves for each of our business subsidiaries and statutory reporting entities.

*Standard Actuarial Reserving Methods*

The Company's reserving process begins with the collection and analysis of paid and incurred claim data for each of the lines of business. This line of business data is disaggregated by reserving class and is further disaggregated by policy year (i.e. the year in which the contract generated premium and losses incepted). This data serves as a key input to many of the methods employed by our actuaries, which include but are not limited to the following:

- *Expected Loss and Expected Loss Ratio Method*
- *Loss Development Method*
- *Bornhuetter-Ferguson Method*
- *Cape Cod Method*
- *Average Cost per Claim Method*

Each method above has its own assumptions and its own advantages and disadvantages, with no single estimation method being better than the others in all situations, and no one set of assumption variables being meaningful for all reserving classes. The relative strengths and weaknesses of the particular estimation methods when applied to a particular group of claims can also change over time.

As part of our quarterly and semi-annual loss reserve review processes, the selection of ultimate losses by sub-segment (line of business and reserving class) is based on a review of the results of the methods listed above, together with management's judgment, where appropriate, as to the most likely outcome. For each policy year, weights that vary between 0% and 100% are applied to each method. The weighting is judgmental and may vary from year to year based on management's knowledge and judgment regarding changes in the mix of business or exposures and operational changes in claims handling.

*Reserving for Significant Catastrophic Events*

Widespread catastrophic events contain additional risks affecting the ability to accurately estimate ultimate losses and therefore require the use of supplemental information including output from Risk

Management Solutions Models. Loss reserves for these events are estimated after a catastrophe occurs by completing an in-depth analysis of individual contracts, which may potentially be impacted by the catastrophic event. The Company generally utilizes a blend of information to arrive at an aggregate estimate of the ultimate losses arising from the catastrophic event. In subsequent reporting periods, changes in paid and incurred losses in relation to each significant catastrophe are reviewed, and estimates of ultimate losses for each event are adjusted if there are developments that are different from prior expectations. Adjustments are recorded in the period in which they are identified.

**(III) Loss Development Tables**

The loss development tables provided hereafter, present historical incurred and paid claims development by reserve reporting segment through December 31, 2024, net of reinsurance.

Each table follows a similar format and includes the following:

- An incurred loss triangle, which includes reported and unreported but incurred claims.
- The incurred and paid triangles include allocated loss adjustment expense, but exclude any unallocated loss adjustment expense.
- All information presented in the triangles is net of reinsurance recoverable.
- IBNR reserves as of December 31, 2024 are shown to the right of the incurred loss table.
- Claims counts are cumulative and are reported to the right of the net paid loss tables. Excluded from claims counts are claims closed without payment.
- Net liabilities for loss and loss expenses for accident years prior to those presented in the triangles.

Supplementary information about average annual percentage payout of net incurred claims is presented for both U.S. and Syndicate lines of business.

Portions of the business written by the U.S. and Syndicate reserve reporting segments are denominated in foreign currencies. In order to keep a constant currency basis, the same foreign exchange rate was achieved by assuming constant foreign exchange rates for all periods presented in the triangles. Translation of prior period amounts use the same applicable foreign currency exchange rates as the current year-end rates.

**U.S. - Excess Liability (In $000's except claim count)**

**Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance**

**Year Ended December 31,**

| | Unaudited | | | | | | | | | | December 31, 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Accident Year** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **Net IBNR** |
| 2015 | $290,683 | $281,842 | $224,200 | $ 186,852 | $ 198,939 | $ 181,363 | $ 192,272 | $ 192,762 | $ 190,460 | $ 186,453 | $ 23,398 |
| 2016 | | 267,526 | 252,525 | 242,817 | 232,333 | 234,631 | 230,812 | 236,248 | 238,794 | 239,333 | 2 |
| 2017 | | | 297,572 | 320,270 | 302,203 | 296,481 | 274,757 | 279,700 | 291,002 | 282,289 | 42 |
| 2018 | | | | 244,324 | 269,107 | 248,189 | 248,140 | 239,713 | 250,034 | 253,769 | 206 |
| 2019 | | | | | 266,160 | 326,890 | 335,556 | 298,605 | 293,351 | 296,214 | 3,534 |
| 2020 | | | | | | 302,867 | 307,042 | 389,609 | 351,637 | 345,329 | 9,119 |
| 2021 | | | | | | | 348,360 | 335,194 | 321,323 | 306,742 | 21,059 |
| 2022 | | | | | | | | 343,207 | 359,455 | 433,418 | 78,705 |
| 2023 | | | | | | | | | 334,073 | 293,254 | 184,007 |
| 2024 | | | | | | | | | | 389,145 | 329,369 |
| Total | | | | | | | | | | $ 3,025,946 | |

**Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance**

| | | | | | | | | | | | **Cumulative Number of Reported Claims** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2015 | $ 240 | $ 73,733 | $ 95,177 | $102,695 | $ 122,034 | $ 109,742 | $116,363 | $ 134,961 | $ 133,724 | $ 133,728 | 115 |
| 2016 | | 260 | 39,646 | 83,876 | 174,838 | 175,165 | 188,471 | 200,964 | 211,944 | 215,667 | 105 |
| 2017 | | | 5,383 | 112,056 | 166,001 | 217,338 | 215,627 | 249,508 | 250,267 | 265,707 | 123 |
| 2018 | | | | 3,601 | 123,955 | 198,962 | 227,659 | 181,709 | 186,375 | 215,518 | 122 |
| 2019 | | | | | 149 | 37,490 | 125,923 | 175,190 | 246,338 | 270,798 | 103 |
| 2020 | | | | | | 10,432 | 37,041 | 116,210 | 163,139 | 262,973 | 122 |
| 2021 | | | | | | | 5,901 | 18,258 | 79,480 | 203,056 | 127 |
| 2022 | | | | | | | | 793 | 20,369 | 160,103 | 91 |
| 2023 | | | | | | | | | 3,285 | 45,418 | 63 |
| 2024 | | | | | | | | | | 9,879 | 41 |
| Total | | | | | | | | | | $ 1,782,847 | |

| | |
|---|---|
| All outstanding liabilities before 2015, net of reinsurance | 388,437 |
| Liabilities for losses and loss adjustment expenses, net of reinsurance | $1,631,536 |

**U.S.—Property & Renewables (In $000's except claim count)**

**Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance**

**Year Ended December 31,**

| Accident Year | Unaudited 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | December 31, 2024 Net IBNR |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2015 | $ 30,027 | $ 24,675 | $ 20,390 | $ 18,803 | $ 18,490 | $ 18,469 | $ 18,436 | $ 18,297 | $ 18,290 | $ 18,290 | $ 1 |
| 2016 | | 32,304 | 26,190 | 22,759 | 20,829 | 20,272 | 20,134 | 19,879 | 19,860 | 19,858 | 3 |
| 2017 | | | 36,721 | 21,001 | 18,516 | 18,890 | 18,623 | 16,748 | 16,549 | 16,472 | 41 |
| 2018 | | | | 43,123 | 39,140 | 38,347 | 35,491 | 33,100 | 36,662 | 33,853 | 236 |
| 2019 | | | | | 47,765 | 38,203 | 37,444 | 36,180 | 35,375 | 35,146 | 433 |
| 2020 | | | | | | 72,102 | 57,679 | 50,417 | 48,822 | 48,609 | 924 |
| 2021 | | | | | | | 74,954 | 84,036 | 79,547 | 78,479 | 1,841 |
| 2022 | | | | | | | | 151,019 | 163,635 | 160,052 | 10,084 |
| 2023 | | | | | | | | | 116,603 | 103,938 | 18,103 |
| 2024 | | | | | | | | | | 118,776 | 71,469 |
| Total | | | | | | | | | | $ 633,473 | |

**Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance**

| Accident Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Cumulative Number of Reported Claims |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2015 | $ 4,270 | $ 10,196 | $ 14,331 | $ 17,356 | $ 17,374 | $ 18,055 | $ 18,287 | $ 18,287 | $ 18,287 | $ 18,288 | 119 |
| 2016 | | 4,446 | 13,665 | 18,168 | 19,029 | 19,516 | 19,522 | 19,857 | 19,855 | 19,855 | 121 |
| 2017 | | | 2,864 | 9,395 | 14,251 | 15,636 | 15,863 | 16,382 | 16,431 | 16,431 | 176 |
| 2018 | | | | 2,914 | 11,471 | 25,408 | 29,808 | 30,447 | 30,507 | 33,330 | 172 |
| 2019 | | | | | 6,124 | 23,779 | 31,155 | 33,936 | 34,284 | 34,608 | 176 |
| 2020 | | | | | | 12,810 | 26,303 | 38,527 | 42,840 | 46,138 | 300 |
| 2021 | | | | | | | 7,514 | 38,005 | 61,559 | 67,143 | 223 |
| 2022 | | | | | | | | 43,946 | 100,207 | 118,859 | 249 |
| 2023 | | | | | | | | | 15,203 | 48,307 | 222 |
| 2024 | | | | | | | | | | 1,493 | 120 |
| Total | | | | | | | | | | $ 404,452 | |

| | |
|---|---|
| All outstanding liabilities before 2015, net of reinsurance | - |
| Liabilities for losses and loss adjustment expenses, net of reinsurance | $ 229,021 |

**U.S.—D&O (In $000's except claim count)**

**Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance**

**Year Ended December 31,**

| Accident Year | Unaudited 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | December 31, 2024 Net IBNR |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2015 | $ 27,541 | $ 37,515 | $ 70,467 | $ 77,389 | $ 74,886 | $ 74,514 | $ 65,720 | $ 72,914 | $ 61,966 | $ 62,890 | $ 1,882 |
| 2016 | | 30,568 | 26,973 | 29,535 | 33,358 | 32,219 | 31,294 | 27,029 | 25,007 | 24,753 | 1,495 |
| 2017 | | | 40,148 | 51,948 | 48,454 | 41,877 | 47,681 | 49,686 | 48,330 | 47,637 | 612 |
| 2018 | | | | 20,718 | 15,857 | 23,288 | 19,480 | 17,976 | 20,998 | 20,948 | 818 |
| 2019 | | | | | 29,265 | 18,399 | 25,949 | 13,920 | 8,881 | 9,045 | 2,060 |
| 2020 | | | | | | 45,226 | 66,216 | 59,353 | 55,657 | 54,908 | 4,748 |
| 2021 | | | | | | | 22,418 | 22,780 | 32,961 | 25,961 | 10,334 |
| 2022 | | | | | | | | 32,022 | 29,307 | 21,743 | 21,496 |
| 2023 | | | | | | | | | 55,398 | 58,285 | 22,357 |
| 2024 | | | | | | | | | | 24,451 | 24,125 |
| Total | | | | | | | | | | $ 350,621 | |

**Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance**

| Accident Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Cumulative Number of Reported Claims |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2015 | $ 33 | $ 11,295 | $ 22,514 | $ 32,407 | $ 62,498 | $ 74,620 | $ 75,477 | $ 73,079 | $ 69,901 | $ 70,194 | 18 |
| 2016 | | 1,549 | 11,031 | 14,078 | 14,083 | 14,429 | 15,611 | 23,680 | 23,872 | 23,853 | 21 |
| 2017 | | | 335 | 5,193 | 12,262 | 23,128 | 21,640 | 36,429 | 49,698 | 49,021 | 17 |
| 2018 | | | | 60 | 129 | 482 | 814 | 9,117 | 8,888 | 10,113 | 20 |
| 2019 | | | | | 56 | 773 | 1,461 | 6,767 | 5,109 | 4,857 | 18 |
| 2020 | | | | | | 91 | 16,693 | 42,508 | 49,502 | 58,009 | 17 |
| 2021 | | | | | | | 40 | 309 | 334 | 15,111 | 12 |
| 2022 | | | | | | | | 7 | 38 | 236 | 7 |
| 2023 | | | | | | | | | 12 | 287 | 8 |
| 2024 | | | | | | | | | | 25 | 7 |
| Total | | | | | | | | | | $ 231,706 | |

| | |
|---|---|
| All outstanding liabilities before 2015, net of reinsurance | 1,697 |
| Liabilities for losses and loss adjustment expenses, net of reinsurance | $ 120,612 |

**U.S. - Claims Duration**
The following table provides supplementary unaudited information about the percentage payout of incurred losses and loss expenses, net of reinsurance as of December 31, 2024 for the U.S. reserve segments.

**Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance**

| Age in years | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| Excess liability | 1% | 20% | 23% | 20% | 7% | 4% | 5% | 7% | 0% | 0% |
| Property & Renewables | 17% | 36% | 25% | 9% | 2% | 2% | 3% | 0% | 0% | 0% |
| D&O | 1% | 12% | 13% | 24% | 14% | 10% | 17% | 0% | 0% | 0% |

**Syndicate—Property and Casualty ($000's except claim count)**
**Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance**

**Year Ended December 31,**

**Property**

| Accident Year | Unaudited 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | December 31, 2024 Net IBNR |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2015 | $157,097 | $128,087 | $130,496 | $129,454 | $127,647 | $126,229 | $111,089 | $121,581 | $ 123,558 | $ 120,145 | $ 1,677 |
| 2016 | | 166,049 | 157,541 | 156,234 | 159,116 | 157,335 | 160,303 | 159,198 | 154,568 | 160,194 | 589 |
| 2017 | | | 199,810 | 182,354 | 191,427 | 189,696 | 199,801 | 186,938 | 181,082 | 198,797 | 248 |
| 2018 | | | | 204,899 | 194,782 | 192,166 | 177,671 | 188,353 | 187,059 | 182,579 | 115 |
| 2019 | | | | | 234,574 | 192,551 | 193,000 | 198,372 | 199,814 | 197,335 | 8,104 |
| 2020 | | | | | | 269,566 | 151,378 | 176,440 | 179,257 | 177,669 | 8,489 |
| 2021 | | | | | | | 334,203 | 200,261 | 211,833 | 207,895 | 10,810 |
| 2022 | | | | | | | | 325,712 | 286,751 | 262,884 | 34,799 |
| 2023 | | | | | | | | | 317,961 | 243,177 | 71,200 |
| 2024 | | | | | | | | | | 360,484 | 172,277 |
| Total | | | | | | | | | | $2,111,159 | |

**Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance**

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Cumulative Number of Reported Claims |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2015 | $ 49,158 | $ 90,490 | $104,461 | $110,970 | $115,129 | $116,248 | $116,483 | $119,825 | $ 121,163 | $ 117,579 | 7,025 |
| 2016 | | 76,332 | 124,947 | 138,912 | 145,039 | 147,491 | 151,007 | 153,669 | 152,190 | 156,889 | 8,127 |
| 2017 | | | 76,278 | 137,948 | 161,595 | 170,502 | 176,615 | 177,403 | 175,119 | 196,183 | 9,236 |
| 2018 | | | | 65,110 | 139,409 | 161,865 | 169,253 | 173,998 | 183,345 | 179,625 | 9,349 |
| 2019 | | | | | 83,959 | 143,349 | 164,004 | 171,479 | 182,884 | 184,882 | 8,076 |
| 2020 | | | | | | 79,434 | 132,198 | 156,150 | 162,958 | 162,425 | 6,931 |
| 2021 | | | | | | | 81,149 | 133,273 | 160,556 | 185,722 | 5,962 |
| 2022 | | | | | | | | 75,335 | 174,032 | 205,107 | 6,528 |
| 2023 | | | | | | | | | 72,965 | 129,315 | 6,040 |
| 2024 | | | | | | | | | | 100,848 | 4,957 |
| Total | | | | | | | | | | $1,618,575 | |
| Liabilities for losses and loss adjustment expenses, net of reinsurance | | | | | | | | | | $ 492,584 | |

(Expressed in thousands of U.S. dollars)

**Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance**

**Year Ended December 31,**

**Casualty**

| Accident Year | Unaudited 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | December 31, 2024 Net IBNR |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2015 | $ 80,810 | $ 87,926 | $ 77,125 | $ 72,309 | $ 71,072 | $ 65,327 | $ 64,102 | $ 64,696 | $ 62,580 | $ 71,172 | $ 2,908 |
| 2016 | | 68,126 | 69,865 | 61,792 | 60,876 | 57,160 | 58,797 | 55,712 | 64,540 | 62,418 | 3,788 |
| 2017 | | | 89,429 | 91,589 | 85,100 | 82,788 | 85,071 | 86,580 | 94,842 | 98,955 | 9,193 |
| 2018 | | | | 102,295 | 100,671 | 102,963 | 101,840 | 108,028 | 126,079 | 120,579 | 17,530 |
| 2019 | | | | | 113,466 | 131,679 | 122,418 | 125,466 | 126,273 | 124,966 | 22,595 |
| 2020 | | | | | | 129,435 | 129,229 | 137,025 | 136,426 | 127,927 | 32,193 |
| 2021 | | | | | | | 128,690 | 142,923 | 114,153 | 112,614 | 43,172 |
| 2022 | | | | | | | | 141,447 | 129,059 | 111,311 | 58,054 |
| 2023 | | | | | | | | | 133,241 | 130,207 | 88,654 |
| 2024 | | | | | | | | | | 138,373 | 118,150 |
| Total | | | | | | | | | | $ 1,098,522 | |

**Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance**

| Accident Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Cumulative Number of Reported Claims |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2015 | $ 11,113 | $ 20,952 | $ 31,024 | $ 40,560 | $ 45,748 | $ 54,402 | $ 57,166 | $ 59,595 | $ 61,542 | $ 64,451 | 3,304 |
| 2016 | | 3,729 | 13,086 | 21,531 | 29,703 | 37,107 | 43,510 | 48,037 | 53,397 | 54,057 | 3,651 |
| 2017 | | | 9,636 | 18,516 | 29,697 | 43,051 | 53,002 | 61,916 | 65,633 | 76,594 | 4,293 |
| 2018 | | | | 6,686 | 21,969 | 38,234 | 54,756 | 69,592 | 82,388 | 87,193 | 4,502 |
| 2019 | | | | | 13,061 | 30,168 | 46,744 | 61,678 | 71,093 | 82,412 | 5,058 |
| 2020 | | | | | | 12,182 | 24,993 | 48,932 | 67,207 | 75,351 | 5,111 |
| 2021 | | | | | | | 11,123 | 25,047 | 32,262 | 46,924 | 4,596 |
| 2022 | | | | | | | | 9,498 | 18,539 | 32,729 | 4,157 |
| 2023 | | | | | | | | | 5,955 | 23,364 | 3,392 |
| 2024 | | | | | | | | | | 9,464 | 1,615 |
| Total | | | | | | | | | | $ 552,539 | |

| | |
|---|---|
| Liabilities for losses and loss adjustment expenses, net of reinsurance | $ 545,983 |
| All outstanding liabilities before 2015, net of reinsurance | 31,903 |
| Liabilities for losses and loss adjustment expenses, net of reinsurance | $1,070,470 |

***Syndicate - Claims Duration***
The following table provides supplementary unaudited information about the percentage payout of incurred losses and loss expenses, net of reinsurance as of December 31, 2024 for the Syndicate business.

**Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance**

| Age in years | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| Property | 38% | 31% | 12% | 5% | 3% | 2% | 0% | 4% | 2% | 0% |
| Casualty | 9% | 12% | 13% | 13% | 9% | 10% | 5% | 8% | 2% | 4% |

(Expressed in thousands of U.S. dollars)

**Reinsurance**

The Company cedes a portion of its risk by utilizing various reinsurance contracts in order to provide additional capacity for future growth and limit the maximum net loss potential arising from the severity or frequency of insurance claims. These contracts do not relieve the Company from its obligation to policyholders. The amounts recoverable from reinsurers are estimated in a manner consistent with the reserve for losses associated with the related reinsurance contract.

Reinsurance recoverable activity is presented below:

| | Years Ended December 31, | | |
|---|---|---|---|
| | **2024** | **2023** | **2022** |
| Reinsurance recoverable on losses and loss expenses at January 1, | $2,357,522 | $ 2,568,574 | $ 2,199,725 |
| Incurred losses and loss expenses ceded | 545,201 | 626,453 | 1,015,534 |
| Less: Paid losses and loss expenses ceded | 369,561 | 839,127 | 642,587 |
| Effect of foreign exchange rate changes | (843) | 1,622 | (4,098) |
| Reinsurance recoverable on losses and loss expenses at December 31, | 2,532,319 | 2,357,522 | 2,568,574 |
| Amounts currently due from reinsurers | 207,633 | 285,748 | 248,388 |
| Due from reinsurers | $ 2,739,952 | $ 2,643,270 | $ 2,816,962 |

The Company regularly evaluates the financial condition of its reinsurers and monitors credit risk with respect to amounts recoverable under these contracts. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible. In order to minimize this credit risk, the Company seeks to cede business to reinsurers generally rated "A-" or better by accredited rating agencies such as A.M. Best. The Company considers reinsurers that are not rated or do not fall within the prescribed rating categories and may grant exceptions to the general policy on a case-by-case basis. As of December 31, 2024 and 2023, 99 percent of the total reinsurance exposure was due from reinsurers rated "A-" or better.

The Company's reinsurance recoverable falls within the scope of CECL, and as such requires an evaluation to determine the associated ACL. The adoption of CECL on January 1, 2023 had an immaterial impact on the Company's determination of uncollectible reinsurance recoverable. In the case of reinsurance recoverables, the ACL is referred to as "uncollectible reinsurance recoverables" and is recorded in the financial statements as a reduction of the reinsurance recoverable with the corresponding increase or decrease recorded to losses and loss expenses incurred. To estimate the allowance for uncollectible reinsurance, the Company performs a default analysis consisting of a number of factors, including the amounts of ceded losses recoverable from the reinsurer, historical trends, anticipated future losses and the credit rating of the reinsurer. As of December 31, 2024 and 2023, such allowance was approximately $91,909 and $82,942, respectively. There were no write-offs of ceded losses for the years ended December 31, 2024 and 2023. As of December 31, 2024 and 2023, reinsurance recoverables overdue from reinsurers for 90 days or more, net of general allowance, were $105,054 and $144,011, respectively. Of this total in 2024, $95,097 was attributable to one reinsurer.

At December 31, 2024 and 2023, the Company's largest ceded loss recoverable exposure resided with three reinsurers, the largest exposure was with an "A+" rated insurer totaling $344,711 and $329,334 at December 31, 2024 and 2023, respectively. The Company has reinsurance recoverables of $292,666 and $268,240, as of December 31, 2024 and 2023, respectively, from the second largest reinsurer, which has an "A+" rating. The Company has reinsurance recoverables of $262,391 and $327,440 as of December 31, 2024 and 2023, respectively, from the third largest reinsurer which has an "A+" rating.

(Expressed in thousands of U.S. dollars)

## 9. Income Taxes

Prior to December 27, 2023, the Company had an undertaking from Bermuda that exempted it from any local profits, income or capital gains taxes until the year 2035. However, on December 27, 2023, the Government of Bermuda enacted the Corporate Income Tax Act 2023, which will apply a 15% corporate income tax to certain Bermuda businesses in fiscal years beginning on or after January 1, 2025. Bermuda corporate income tax rules supersede existing Bermuda tax assurance certificates held by entities within the scope of the new Bermuda corporate income tax. The Company will be subject to the Bermuda corporate income tax but is eligible to make an annual Branch Exclusion Election. The election allows the Company to remove from the Bermuda tax base income allocated to a non-Bermuda permanent establishment. Management expects to make this annual election. Accordingly, the Company has determined that no deferred tax balances related to Bermuda corporate income tax are necessary at December 31, 2024 and December 31, 2023.

As a consolidated group, the Company and its subsidiaries are subject to income taxes in other tax jurisdictions. The Company files U.S. and Canadian federal income tax returns. Furthermore, certain U.K. subsidiaries are required to file U.K. income tax returns, while certain business sourced in the U.K. are subject to U.S. tax under an Internal Revenue Code Section 953(d) election. The Company's Bermuda-based parent insurance company files a U.S. tax return pursuant to Internal Revenue Code Section 953(d) status. Electing Section 953(d) status allows the Company to combine its taxable income with certain subsidiary taxable income in a consolidated U.S. tax return.

The provision for income taxes for the years ended December 31, was as follows:

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Current provision | $ 94,460 | $ 62,237 | $ 30,679 |
| Deferred provision/(benefit) | 36,475 | 22,618 | 18,444 |
| Total income tax provision | $ 130,935 | $ 84,855 | $ 49,123 |

The Company's reconciliation between the effective tax rate and the statutory tax rate was as follows:

| | Tax Effect 2024 | Percent of Pre-Tax Income | Tax Effect 2023 | Percent of Pre-Tax Income | Tax Effect 2022 | Percent of Pre-Tax Income |
|---|---|---|---|---|---|---|
| U.S. federal income tax at statutory rate | $ 117,643 | 21.0% | $80,386 | 21.0% | $ 39,461 | 21.0% |
| Adjustments: | | | | | | |
| Company-owned officers' life insurance | (3,011) | (0.5) | (2,422) | (0.6) | 2,567 | 1.4 |
| Return-to-provision adjustments | 614 | 0.1 | (372) | (0.1) | (2,310) | (1.2) |
| Valuation allowance | 15,117 | 2.7 | 6,044 | 1.6 | 7,863 | 4.2 |
| Other permanent items | 572 | 0.1 | 1,219 | 0.3 | 1,542 | 0.7 |
| Total income tax provision | $ 130,935 | 23.4% | $84,855 | 22.2% | $ 49,123 | 26.1% |

(Expressed in thousands of U.S. dollars)

The Company's deferred income tax assets and liabilities as of December 31 are summarized below:

| | 2024 | 2023 |
|---|---|---|
| Deferred tax assets: | | |
| Loss reserves | $ 51,285 | $ 49,265 |
| Net operating loss carryforwards | 557 | - |
| Unearned premiums | 19,881 | 18,658 |
| Anticipatory foreign tax credit | 59,474 | 35,094 |
| Foreign tax credit carryforwards | 5,342 | 420 |
| Profit commission and other accruals | 49,722 | 28,034 |
| Compensation and benefit accruals | 28,293 | 27,345 |
| Deferred acquisition costs | 4,292 | 2,127 |
| Unrealized investment losses on securities, net | 4,773 | - |
| Allowance for credit losses | 2,675 | 4,671 |
| Other deferred tax assets | 870 | 608 |
| Deferred tax assets before valuation allowance | 227,164 | 166,222 |
| Less: Valuation allowance | (29,024) | (13,907) |
| Deferred tax assets net of valuation allowance | 198,140 | 152,315 |
| Deferred tax liabilities: | | |
| Unrealized investment gains on securities, net | - | 8,578 |
| Fair value of insurance and reinsurance contracts | 57,686 | 54,292 |
| Fixed asset basis difference | 125 | 285 |
| TCJA transition adjustment | 759 | 1,517 |
| Basis difference in investments | 6,201 | 2,454 |
| Syndicate technical account | 148,333 | 77,507 |
| Deferred tax liabilities | 213,104 | 144,633 |
| Net deferred tax asset/(liability) | $ (14,964) | $ 7,682 |

The Company has $5,342 of foreign tax credit carryforward, which will expire in year 2034. The Company has $557 of tax-effected state net operating loss carryforwards available to offset state taxable income in future years. These net operating losses will expire in 2044.

Although the Company is in a net DTL position for the year, the application of U.S. GAAP requires the Company to evaluate the recoverability of its gross DTAs and establish a valuation allowance if necessary to reduce the DTA to an amount that is more likely than not expected to be realized. Considerable judgment is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance.

In evaluating the need for a valuation allowance, the Company considers many factors, including: (1) the nature of the deferred tax assets and liabilities; (2) whether they are ordinary or capital; (3) in which tax jurisdictions they were generated and the timing of their reversal; (4) taxable income in prior carryback years as well as projected taxable earnings exclusive of reversing temporary differences and carryforwards; (5) the length of time that carryovers can be utilized in the various taxing jurisdictions; (6) any unique tax rules that would impact the utilization of the deferred tax assets; and (7) any tax planning strategies that the Company would employ to avoid a tax benefit from expiring unused. Although realization is not assured, management believes it is more likely than not that the DTAs, net of valuation allowances, will be realized.

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing DTAs. An element of objective negative evidence evaluated was income tax rates in the foreign jurisdictions in which the Company pays income tax that exceed the income tax rate of the U.S. Further, U.S. foreign tax credit law and regulations limit the Company's ability to fully realize its foreign tax credit carryover and anticipatory foreign tax credit DTAs in the future, resulting in another element of objective negative evidence.

(Expressed in thousands of U.S. dollars)

Accordingly, as of December 31, 2024 a valuation allowance of $29,024 was recorded against DTAs related to federal taxes. Adjustments to the valuation allowance are made to reflect changes in management's assessment of the amount of the DTA that is realizable and the amount of DTA actually realized during the year.

The IRS can examine the 2014 tax year with respect to foreign tax credits. The 2020-2023 tax years are open to audit with respect to all income tax matters, including utilization of tax attributes (including net operating loss carryforwards) generated in prior years.

As of December 31, 2024, the Company had no uncertain tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next 12 months.

## 10. Policyholders' Liability

The liability of each policyholder of the Company is limited to any unpaid premiums due to the Company from such policyholders and for premiums, if any, relating to the Company's retrospective premium plans.

Retrospective premium plans were retroactively discontinued for all policies incepting on or after January 1, 1988. Management is unaware of any events that would cause the application of any of the retrospective premium plans remaining in effect.

## 11. Commitments and Contingencies

The Company has established reserves for losses and loss expenses for claims that arise in the ordinary course of business. The Company is also subject to legal proceedings and regulatory inquiries, for which there is currently no provision established as management does not believe that the outcome of any of these matters will have a material adverse effect on the Company's financial position, operating results, or cash flows.

### Lease Commitments

The Company leases office facilities under non-cancelable operating leases under various operating lease arrangements, which expire at various dates through 2032. The Company evaluates if a leasing arrangement exists upon inception of a contract, conveying the right to control the use of the office space for a period of time in exchange for consideration. The Company's leases expire at various dates and may contain renewal and expansion options through 2032. The exercise of lease renewal and expansion options are typically at the Company's sole discretion and are only included in the determination of the lease term if the Company is reasonably certain to exercise the option.

On December 23, 2024, the Company entered into a 15-year lease agreement for office space at 30 Hudson Street, Jersey City, NJ. The Company is scheduled to take possession of the premises on May 1, 2025 with rent commencing on June 1, 2027. The total expected rent payments for the entire lease term totaled $44,299. The leasing tables below exclude the impact of the new lease.

The ROU assets are included in other assets, and the lease liabilities in accrued expenses and other liabilities on the consolidated balance sheet.

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Right of use assets | $ 14,500 | $ 17,763 |
| Lease liabilities | 14,183 | 17,800 |
| Weighted average remaining lease term | 5 years | 6 years |
| Weighted average discount rate | 1.12% | 1.14% |

(Expressed in thousands of U.S. dollars)

Future minimum lease payments for operating leases:

| Year | Amount |
|---|---|
| 2025 | $ 3,687 |
| 2026 | 3,722 |
| 2027 | 2,220 |
| 2028 | 1,136 |
| 2029 | 1,136 |
| Years thereafter until 2032 | 2,651 |
| Total undiscounted lease payments | 14,552 |
| Less: imputed interest | 369 |
| Present value of lease liabilities | $ 14,183 |

Rent expense is recorded in other underwriting expenses in the consolidated statements of income and comprehensive income, for the years ended December 31, 2024, 2023 and 2022 and was $5,980 $5,632, and $5,443, respectively. Operating cash outflows from operating leases totaled $5,007 and $4,880 for the periods ended December 31, 2024 and 2023, respectively.

**Commitments**

The Company has entered into investment agreements, and under the terms of the agreements, the Company may be required to invest additional amounts to fulfill its unfunded contractual commitments, summarized below:

As of December 31, 2024 and 2023, the Company's limited partnership investments had unfunded direct lending commitments totaling $206,632 and $242,939, respectively.

As of December 31, 2024 and 2023, the Company's mortgage loan investments had unfunded commitments totaling $21 and $445, respectively.

**Securities on Deposit and Letters of Credit**

At December 31, 2024, the Company had securities and cash on deposit of $1,218,351 in order to comply with various U.S., Canadian and U.K. insurance and tax regulatory requirements. The Company also maintained letter of credit facilities with four financial institutions totaling $460,873, of which $343,100 was committed at December 31, 2024. At December 31, 2024, the Company had pledged assets of cash and debt securities, valued at $901,435, as collateral to secure these letters of credit.

At December 31, 2023, the Company had securities and cash on deposit of $1,285,134 in order to comply with various U.S., Canadian and U.K. insurance and tax regulatory requirements. The Company also maintained letter of credit facilities with four financial institutions totaling $448,578, of which $349,670 was committed at December 31, 2023. At December 31, 2023, the Company had pledged assets of cash and debt securities, valued at $1,085,143, as collateral to secure these letters of credit.

## 12. Dividend Restrictions

No dividend transfers occurred in 2024, 2023 and 2022. At December 31, 2024, there were no significant restrictions on the payment of dividends from AISL to AEGIS London Holding.

In 2024, 2023 and 2022, there were no transfers of capital from AEGIS to AEGIS London Holding.

**13. Subsequent Events**

AEGIS has evaluated all events subsequent to December 31, 2024 through the consolidated financial statements issuance date of April 25, 2025, and there are no other events that require disclosure.

**14. Margin of Solvency**

The Company is registered under the Bermuda Insurance Act of 1978 and related regulations, which require that the Company maintain a minimum solvency margin of approximately $422 million for solvency. As a Class 3 insurer, the Bermuda Statutory policyholders' surplus at December 31, 2024 was in excess of the minimum solvency margin required.

**15. Operating Results by Line of Business**

Management has elected to present its operating results into two lines of business, General Liability and Directors and Officers Liability. General Liability includes excess liability, fiduciary and employee benefits liability, professional liability and excess workers' compensation insurance. Directors & Officers Liability includes directors and officers liability and general partner liability insurance. Operating expenses directly attributable to a given line of business are charged correspondingly; the remainder is allocated based upon their respective share of gross written premiums. Investment results and the results from all other lines of business are allocated to each line of business based upon its proportionate share of unearned premiums, reserve for losses and loss expenses, and total surplus. This presentation is utilized to determine continuity credits, when declared by the Board of Directors of AEGIS, as they are earned by members based upon their individual proportionate shares of premiums and surplus attributable to the Company's General Liability and Directors & Officers Liability lines of business, as defined in the Company's bylaws. Total surplus supports all insurance policies issued by the Company, regardless of type. The amounts of total surplus allocated by line of business are presented solely for informational purposes.

(Expressed in thousands of U.S. dollars)

| | General Liability | | | Directors & Officers Liability | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2022 | 2024 | 2023 | 2022 | 2024 | 2023 | 2022 |
| Revenue: | | | | | | | | | |
| Net premiums earned | $1,359,459 | $1,338,961 | $1,158,030 | $ 461,380 | $ 383,956 | $ 376,420 | $1,820,839 | $1,722,917 | $1,534,450 |
| Net investment income (loss) | 208,911 | 173,226 | (51,815) | 101,221 | 63,995 | (24,083) | 310,132 | 237,221 | (75,898) |
| Change in fair value of insurance and reinsurance contracts | 13,009 | 2,133 | 149,793 | - | - | - | 13,009 | 2,133 | 149,793 |
| Total revenue | 1,581,379 | 1,514,320 | 1,256,008 | 562,601 | 447,951 | 352,337 | 2,143,980 | 1,962,271 | 1,608,345 |
| Expenses: | | | | | | | | | |
| Losses and loss expenses incurred | 854,968 | 863,560 | 798,310 | 181,916 | 215,503 | 199,003 | 1,036,884 | 1,079,063 | 997,313 |
| Commission expenses | 149,288 | 150,091 | 110,314 | 73,136 | 57,232 | 53,099 | 222,424 | 207,323 | 163,413 |
| Other underwriting expenses | 174,989 | 165,366 | 134,642 | 72,123 | 55,310 | 53,834 | 247,112 | 220,676 | 188,476 |
| Total expenses | 1,179,245 | 1,179,017 | 1,043,266 | 327,175 | 328,045 | 305,936 | 1,506,420 | 1,507,062 | 1,349,202 |
| Income before continuity and other premium credits and income taxes | 402,134 | 335,303 | 212,742 | 235,426 | 119,906 | 46,401 | 637,560 | 455,209 | 259,143 |
| Continuity and other premium credits | 50,581 | 47,781 | 45,210 | 26,772 | 24,638 | 26,025 | 77,353 | 72,419 | 71,235 |
| Income before income taxes | 351,553 | 287,522 | 167,532 | 208,654 | 95,268 | 20,376 | 560,207 | 382,790 | 187,908 |
| Income tax provision | 82,939 | 63,636 | 42,535 | 47,996 | 21,219 | 6,588 | 130,935 | 84,855 | 49,123 |
| Net income | 268,614 | 223,886 | 124,997 | 160,658 | 74,049 | 13,788 | 429,272 | 297,935 | 138,785 |
| Other comprehensive (loss) income | (35,080) | 19,224 | (10,816) | (15,147) | 8,015 | (4,757) | (50,227) | 27,239 | (15,573) |
| Other surplus Adjustments | 368 | (7,517) | (267) | - | - | - | 368 | (7,517) | (267) |
| Total surplus—beginning of year | 1,309,205 | 1,073,612 | 959,698 | 1,238,788 | 1,156,724 | 1,147,693 | 2,547,993 | 2,230,336 | 2,107,391 |
| Total surplus—end of year | $ 1,543,107 | $1,309,205 | $1,073,612 | $ 1,384,299 | $ 1,238,788 | $ 1,156,724 | $ 2,927,406 | $2,547,993 | $2,230,336 |