

Associated Electric & Gas Insurance Services Limited

Consolidated Financial Statements as of
December 31, 2025 and 2024 and for the
Years Ended December 31, 2025, 2024 and 2023 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, 2025 and 2024, 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, 2025, 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, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025, 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 2025 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

March 31, 2026

Associated Electric & Gas Insurance Services Limited

Consolidated Balance Sheets As of December 31, 2025 and 2024 (Expressed in thousands of U.S. dollars)

	2025	2024
Assets		
Cash and cash equivalents ⁽¹⁾	\$ 775,210	\$ 687,104
Held-to-maturity debt securities	686,034	875,610
Available-for-sale debt securities ⁽¹⁾	4,862,469	3,857,555
Trading debt securities	324,932	376,891
Equity securities	934,524	809,214
Other invested assets	273,139	300,844
Mortgage loans	79,087	93,936
Total cash and investments	<u>7,935,395</u>	<u>7,001,154</u>
Due from reinsurers	2,966,774	2,739,952
Due from insureds	3,202	16,726
Accrued interest ⁽¹⁾	50,662	45,382
Premiums receivable	494,192	488,762
Receivable for securities sold	4,041	66
Current income taxes receivable ⁽¹⁾	27,581	11,577
Unearned continuity and other premium credits	40,876	36,805
Prepaid reinsurance premiums	549,917	551,679
Deferred acquisition costs	121,723	130,616
Deposit assets	53,071	46,004
Other assets ⁽¹⁾	279,280	236,934
Total Assets	<u>\$12,526,714</u>	<u>\$11,305,657</u>
Liabilities and Surplus		
Liabilities:		
Reserve for losses and loss expenses	\$ 6,223,728	\$ 5,785,667
Unearned premiums	1,644,051	1,659,706
Fair value of insurance and reinsurance contracts	397,086	386,978
Due to reinsurers	335,799	245,415
Net deferred tax liabilities ⁽¹⁾	87,250	14,964
Payable for securities purchased	10,008	7,498
Deposit liabilities	53,071	46,004
Accrued expenses and other liabilities ⁽¹⁾	309,245	232,019
Total liabilities	<u>9,060,238</u>	<u>8,378,251</u>
Commitments and Contingencies (See Note 11)		
Surplus:		
Statutory surplus fund	250	250
Policyholders' surplus ⁽¹⁾	3,423,767	2,945,114
Accumulated other comprehensive income (loss)	42,459	(17,958)
Total surplus	<u>3,466,476</u>	<u>2,927,406</u>
Total Liabilities and Surplus	<u>\$12,526,714</u>	<u>\$11,305,657</u>

⁽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, 2025, 2024 and 2023 (Expressed in thousands of U.S. dollars)

	2025	2024	2023
Revenue:			
Gross premiums written	\$2,978,161	\$2,961,281	\$2,836,443
Net premiums written	<u>1,898,086</u>	<u>1,886,957</u>	<u>1,820,045</u>
Net premiums earned	1,912,300	1,820,839	1,722,917
Net investment income (loss)	394,118	310,132	237,221
Change in fair value of insurance and reinsurance contracts	(5,790)	13,009	2,133
Total revenue	<u>2,300,628</u>	<u>2,143,980</u>	<u>1,962,271</u>
Expenses:			
Losses and loss expenses incurred	1,091,037	1,036,884	1,079,063
Commission expenses	231,407	222,424	207,323
Other underwriting expenses	263,534	247,112	220,676
Total expenses	<u>1,585,978</u>	<u>1,506,420</u>	<u>1,507,062</u>
Income before continuity and other premium credits and income taxes	714,650	637,560	455,209
Continuity and other premium credits	90,357	77,353	72,419
Income before income taxes	<u>624,293</u>	<u>560,207</u>	<u>382,790</u>
Income Taxes:			
Current provision	89,264	94,460	62,237
Deferred provision	56,218	36,475	22,618
Total income tax provision	<u>145,482</u>	<u>130,935</u>	<u>84,855</u>
Net Income	<u>\$ 478,811</u>	<u>\$ 429,272</u>	<u>\$ 297,935</u>
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 (expense) benefit of (\$16,456), \$13,448 and (\$6,171), respectively)	61,908	(50,591)	23,213
Unrealized holding gains (losses), on held-to-maturity securities reclassified from available-for-sale (net of income tax benefit of \$194, \$549 and \$198, respectively)	(732)	(2,067)	(744)
Reclassification adjustment for amounts included in net income (net of income tax benefit (expense) \$202, (\$646) and (\$1,268), respectively)	(759)	2,431	4,770
Other comprehensive income (loss)	<u>60,417</u>	<u>(50,227)</u>	<u>27,239</u>
Comprehensive Income	<u>\$ 539,228</u>	<u>\$ 379,045</u>	<u>\$ 325,174</u>

See notes to the consolidated financial statements.

Associated Electric & Gas Insurance Services Limited

Consolidated Statements of Changes in Surplus For Years Ended December 31, 2025, 2024 and 2023 (Expressed in thousands of U.S. dollars)

	2025	2024	2023
Statutory Surplus Fund	\$ 250	\$ 250	\$ 250
Policyholders' Surplus:			
Balance at January 1	2,945,114	2,515,474	2,225,056
Cumulative effect of accounting change, net of tax	-	-	(7,285)
Other surplus adjustments	(158)	368	(232)
Net income	478,811	429,272	297,935
Balance at December 31	<u>3,423,767</u>	<u>2,945,114</u>	<u>2,515,474</u>
Accumulated Other Comprehensive Income:			
Balance at January 1	(17,958)	32,269	5,030
Other comprehensive income (loss)	60,417	(50,227)	27,239
Balance at December 31	<u>42,459</u>	<u>(17,958)</u>	<u>32,269</u>
Total Surplus at December 31	<u>\$ 3,466,476</u>	<u>\$ 2,927,406</u>	<u>\$ 2,547,993</u>

See notes to the consolidated financial statements.

Associated Electric & Gas Insurance Services Limited

Consolidated Statements of Cash Flows For Years Ended December 31, 2025, 2024 and 2023 (Expressed in thousands of U.S. dollars)

	2025	2024	2023
Cash Flows From Operating Activities:			
Net income	\$ 478,811	\$ 429,272	\$ 297,935
Net investment (gains) losses on securities	(89,153)	(26,993)	(19,954)
Net investment foreign exchange losses (gains) losses	(11,323)	7,759	1,986
Amortization (accretion) of investments	(17,439)	(22,105)	(45,256)
Depreciation, capitalization and other charges	2,133	1,895	1,964
Deferred income tax expense	56,218	36,475	22,618
Change in variable interest entities	(158)	368	(231)
Allowance for credit losses and uncollectible amounts	(4)	(9,506)	(10,894)
Changes in assets and liabilities:			
Due from reinsurers	(226,822)	(96,682)	173,692
Due from (to) insureds	13,524	14,819	(22,302)
Accrued interest	(5,280)	(7,020)	(13,900)
Premiums receivable	(5,430)	14,767	(78,467)
Current income taxes receivable (payable)	(16,004)	(7,664)	1,141
Unearned continuity and other premium credits	(4,071)	(3,834)	(3,018)
Prepaid reinsurance premiums	1,762	(52,060)	(41,968)
Deferred acquisition costs	8,893	(3,967)	(15,026)
Deposit assets	(7,067)	97,659	(10,954)
Other assets	(32,574)	(5,199)	(5,400)
Reserve for losses and loss expenses	438,061	222,313	38,091
Unearned premiums	(15,655)	118,960	127,417
Fair value of insurance and reinsurance contracts	10,108	(5,545)	(4,390)
Due to reinsurers	90,384	(52,291)	8,789
Deposit liabilities	7,067	(97,659)	10,954
Accrued expenses and other liabilities	77,650	(8,874)	30,999
Net cash provided by operating activities	<u>753,631</u>	<u>544,888</u>	<u>443,826</u>
Cash Flows From Investing Activities:			
Purchases of available-for-sale debt securities, equity securities, and other investments	(3,146,938)	(3,111,388)	(6,226,599)
Purchases of mortgage loans	-	(704)	(1,118)
Purchases of trading securities	(37,916)	(33,820)	(399,606)
Purchases of furniture and fixtures and expenditures for leasehold improvements	(11,905)	-	-
Proceeds from sales or redemptions of available-for-sale debt securities, equity securities, and other investments	2,235,503	2,194,049	5,905,677
Proceeds from repayments of mortgage loans	14,118	37,966	5,844
Proceeds from maturities and mandatory redemptions of held-to-maturity investments	185,955	243,722	140,682
Proceeds from trading securities	95,825	19,882	1,332
Net cash utilized in investing activities	<u>(665,358)</u>	<u>(650,293)</u>	<u>(573,788)</u>
Effect of Exchange Rate Changes on Cash	<u>(167)</u>	<u>(2,389)</u>	<u>(174)</u>
Change in Cash and Cash Equivalents	88,106	(107,794)	(130,136)
Cash and Cash Equivalents, Beginning of Year	687,104	794,898	925,034
Cash and Cash Equivalents, End of Year	<u>\$ 775,210</u>	<u>\$ 687,104</u>	<u>\$ 794,898</u>
Supplemental disclosures of cash flow information:			
Income taxes paid	<u>\$ 105,885</u>	<u>\$ 101,759</u>	<u>\$ 61,101</u>
Non Cash Transactions:			
Increase of real estate joint ventures	<u>\$ -</u>	<u>\$ 9,982</u>	<u>\$ -</u>

Associated Electric & Gas Insurance Services Limited

Notes to the Consolidated Financial Statements (Expressed in thousands of U.S. dollars)

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, 2025, 2024 and 2023, 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.

Associated Electric & Gas Insurance Services Limited

Notes to the Consolidated Financial Statements (Expressed in thousands of U.S. dollars)

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, direct lending, fund of fund investments, 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

The Company invests 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. Dividend income is recognized when declared and is included in net investment income.

Associated Electric & Gas Insurance Services Limited

Notes to the Consolidated Financial Statements (Expressed in thousands of U.S. dollars)

Current Expected Credit Losses (“CECL”) Methodology for HTM and AFS Investments

In accordance with Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments—Credit Losses (Topic 326)*: Measurement of Credit Losses on Financial Instruments, the Company introduced CECL models, which were used to estimate expected credit losses over the entire contractual life of the financial assets.

Under CECL, the Company recognizes an ACL for its Held-to-Maturity (“HTM”) and Available-for-Sale (“AFS”) debt securities. The ACL is recorded as a contra-asset on the balance sheet, reducing the carrying value of the investment. Changes in the ACL are recorded in net investment income (loss) in the income statement. The amortized cost of an investment is only adjusted directly for impairment if the Company intends to sell the security, in which case the carrying value is reduced and any previously recorded allowance is 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 3 and 5 for further details on ACL methodologies for HTM and 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 account to support the underwriting activities of 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.

Associated Electric & Gas Insurance Services Limited

Notes to the Consolidated Financial Statements (Expressed in thousands of U.S. dollars)

Real Estate Joint Venture

The Company entered into a commercial Real Estate Joint Venture ("REJV"). Upon formation of the REJV the Company 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, 2025 and 2024. 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 lender. Residential mortgage loans are comprised mostly of apartment complexes, while commercial mortgage 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.

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, 2025 and 2024, the Company had no known significant concentrations of credit risk related 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

Associated Electric & Gas Insurance Services Limited

Notes to the Consolidated Financial Statements (Expressed in thousands of U.S. dollars)

recoverability of these deferred costs is reviewed periodically and includes the consideration of future investment income.

g. 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 \$1,913, (\$8,406), and \$9,028 for the years ended December 31, 2025, 2024 and 2023, 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.

h. 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.

i. 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.

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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.

j. 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.

k. Reserve for Losses and Loss Expenses

The reserve for losses and loss expenses represents the Company's best estimate, based on its latest actuarial 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.

l. 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, 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.

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

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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.

m. Continuity and Other Premium Credits

Continuity credits are declared as a percentage of policyholders' surplus and allocated based on each member's cumulative proportionate share of earned premiums. Continuity credits are based on each respective member's proportionate share of earned premiums and total surplus. Other premium credits are based on each eligible policyholder's proportionate share of their earned 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. Loyalty credits may also be granted as an additional percentage of total credits awarded based on the number of eligible policies purchased. Loss control credits can be issued for both Cyber and Property policies in support of member risk mitigation initiatives. Issued credits are earned over the periods covered by the underlying policies.

n. 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.

o. 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.

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p. 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:

	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:

	2025	2024
Property and leasehold improvements	\$ 17,647	\$ 9,554
Furniture and fixtures	13,439	9,515
Information technology equipment and software	22,295	19,355
Total cost	53,381	38,424
Accumulated depreciation/capitalization	(32,245)	(30,375)
Net property and equipment	\$ 21,136	\$ 8,049

Depreciation and capitalization expense amounted to \$2,133, \$1,895, and \$1,964 for the years ended December 31, 2025, 2024 and 2023, respectively. There were no recognized gains or losses related to the disposal of the Company's property and equipment during the years ended 2025, 2024 and 2023.

q. Retirement Benefit Plans

The Company has a non-qualified supplemental defined benefit plan for certain employees. 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, 2025 and 2024 of \$16,725 and \$13,915, respectively. The projected benefit obligation for the non-qualified plan was based on a discount rate of 4.25% in 2025 and 4.75% in 2024, with a 3% rate of compensation increase for the non-qualified plan for both 2025 and 2024.

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, 2025 and 2024, the unfunded balance related to this plan was \$9,101 and \$7,351, respectively. The Company's obligations under the plan were based upon a discount rate of 5.75% for 2025 and 2024, respectively. All unfunded balances for the plans above are recorded within accrued expenses and other liabilities within the consolidated balance sheets.

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r. Reclassifications

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

s. New Accounting Pronouncements

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 guidance requires enhanced disaggregation of certain expense categories within the notes to the financial statements, including employee compensation costs, depreciation, amortization of intangible assets, and other relevant expense categories. Adoption of this guidance is required by public entities. The Company is still evaluating the impact of the guidance on its consolidated financial statements.

In December 2023, FASB issued ASU 2023-09, *Improvements for Income Tax Disclosures*, which enhances transparency in income tax reporting. 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.

t. Tax Developments

On December 27, 2023, the Government of Bermuda enacted the Corporate Income Tax Act of 2023, which applies a 15% corporate income tax to certain Bermuda businesses in fiscal years beginning on or after January 1, 2025. The Company is 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. 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 PE. 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, 2025, or 2024.

The Organization for Economic Co-operation and Development ("OECD") 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.

On January 5, 2026, the OECD Inclusive Framework released the long-awaited Side-by-Side ("SbS") package of administrative guidance on Pillar Two rules, providing significant relief for U.S.-parented multinational enterprise ("MNE") groups. This implements a June 2025 G7 political agreement recognizing the U.S.'s existing domestic and worldwide tax regimes, including Controlled Foreign Corporation ("CFC") and net CFC tested income rules, as sufficiently robust and complementary to the global minimum tax framework. The centerpiece is a new elective SbS Safe Harbor, effective for fiscal years beginning on or after January 1, 2026, which deems top-up tax as zero under the Income Inclusion Rule and Undertaxed Profits Rule for qualifying U.S.-headquartered groups across both domestic and foreign operations, with the U.S. listed as the sole qualified SbS jurisdiction in the Central

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Record. However, U.S.-parented MNEs remain fully subject to Pillar Two rules and compliance obligations, including filings, for 2025 and 2024, and Qualified Domestic Minimum Top-up Taxes in other jurisdictions continue to apply unaffected. The package also introduces other safe harbors (e.g., Ultimate Parent Entity Safe Harbor, Simplified effective tax rate Safe Harbor) and extensions to simplify broader implementation.

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, 2025, 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.

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3. Investments

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

	December 31, 2025					Value on Balance Sheet (*)
	Cost / Amortized Cost	Allowance for Credit Losses	Gross Unrealized		Fair Value	
			Gains	Losses		
Held-to-maturity:						
Debt securities:						
U.S. corporate debt securities	\$ 324,536	\$ (1,815)	\$ 2,913	\$ (5,972)	\$ 319,662	\$ 322,721
Foreign corporate and foreign government debt securities	63,927	(29)	42	(1,122)	62,818	63,898
Agency MBS	299,361	(728)	146	(28,675)	270,104	298,633
Non-agency MBS and ABS	786	(4)	-	(9)	773	782
Total HTM investments	<u>688,610</u>	<u>(2,576)</u>	<u>3,101</u>	<u>(35,778)</u>	<u>653,357</u>	<u>686,034</u>
Available-for-sale:						
Debt securities:						
U.S. Treasury securities and obligations of U.S. government corporations and agencies	1,318,660	-	12,107	(244)	1,330,523	1,330,523
U.S. corporate debt securities	1,129,273	-	14,453	(320)	1,143,406	1,143,406
Foreign corporate and foreign government debt securities	976,298	-	11,513	(2,358)	985,453	985,453
Agency MBS	859,689	-	14,542	(1,147)	873,084	873,084
Non-agency MBS and ABS	522,519	-	5,436	(63)	527,892	527,892
Direct lending	2,080	-	31	-	2,111	2,111
Total AFS investments	<u>4,808,519</u>	<u>-</u>	<u>58,082</u>	<u>(4,132)</u>	<u>4,862,469</u>	<u>4,862,469</u>
Equity securities(**):						
Equity securities/REITs	343,880	-	110,014	(8,343)	445,551	445,551
Mutual funds bonds	229,185	-	18,250	(179)	247,256	247,256
Mutual funds equities	192,536	-	49,181	-	241,717	241,717
Total equity securities	<u>765,601</u>	<u>-</u>	<u>177,445</u>	<u>(8,522)</u>	<u>934,524</u>	<u>934,524</u>
Other invested assets(**):						
Limited partnership/Direct lending	200,535	-	-	(13,640)	186,895	186,895
Overseas deposits	76,038	-	-	-	76,038	76,038
Real estate joint venture	9,982	-	-	-	9,982	9,982
Fund of funds	626	-	-	(402)	224	224
Total other invested assets	<u>287,181</u>	<u>-</u>	<u>-</u>	<u>(14,042)</u>	<u>273,139</u>	<u>273,139</u>
Trading(**):						
Debt securities:						
U.S. Treasury securities and obligations of U.S. government corporations and agencies	200,321	-	259	(18,334)	182,246	182,246
U.S. corporate debt securities	133,292	-	499	(7,194)	126,597	126,597
Foreign corporate and foreign government debt securities	15,850	-	133	(717)	15,266	15,266
Non-agency MBS and ABS	832	-	-	(9)	823	823
Total trading	<u>350,295</u>	<u>-</u>	<u>891</u>	<u>(26,254)</u>	<u>324,932</u>	<u>324,932</u>
Total	<u>\$ 6,900,206</u>	<u>\$ (2,576)</u>	<u>\$ 239,519</u>	<u>\$ (88,728)</u>	<u>\$ 7,048,421</u>	<u>\$ 7,081,098</u>
Mortgage loans	<u>\$ 89,245</u>	<u>\$ (10,158)</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ 82,050</u>	<u>\$ 79,087</u>
Cash and cash equivalents	<u>\$ 775,210</u>	<u>\$ -</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ 775,210</u>	<u>\$ 775,210</u>

(*) As of December 31, 2025, HTM securities are held at cost/amortized cost and AFS and trading securities are held at fair value. 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

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	December 31, 2024					
	Cost / Amortized Cost	Allowance for Credit Losses	Gross Unrealized		Fair Value	Value on Balance Sheet (*)
			Gains	Losses		
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	<u>878,966</u>	<u>(3,356)</u>	<u>960</u>	<u>(65,670)</u>	<u>810,900</u>	<u>875,610</u>
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	<u>3,881,032</u>	<u>-</u>	<u>17,933</u>	<u>(41,410)</u>	<u>3,857,555</u>	<u>3,857,555</u>
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	<u>718,182</u>	<u>-</u>	<u>101,203</u>	<u>(10,171)</u>	<u>809,214</u>	<u>809,214</u>
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	<u>305,454</u>	<u>-</u>	<u>660</u>	<u>(5,270)</u>	<u>300,844</u>	<u>300,844</u>
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	<u>412,544</u>	<u>-</u>	<u>522</u>	<u>(36,175)</u>	<u>376,891</u>	<u>376,891</u>
Total	<u>\$ 6,196,178</u>	<u>\$ (3,356)</u>	<u>\$ 121,278</u>	<u>\$ (158,696)</u>	<u>\$ 6,155,404</u>	<u>\$ 6,220,114</u>
Mortgage loans	<u>\$ 103,317</u>	<u>\$ (9,381)</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ 96,938</u>	<u>\$ 93,936</u>
Cash and cash equivalents	<u>\$ 687,104</u>	<u>\$ -</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ 687,104</u>	<u>\$ 687,104</u>

(*) As of December 31, 2024, HTM securities are held at cost/amortized cost and AFS and trading securities are held at fair value. 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

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Held-to-Maturity Investments

Proceeds from maturities of HTM investments were \$148,560, \$130,455 and \$67,634 for the years ended December 31, 2025, 2024 and 2023, 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:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Purchases	\$ 3,102,965	\$ 3,067,316	\$ 6,195,172
Proceeds from sales	1,742,914	1,498,751	4,132,259
Gross gains	35,533	20,285	49,524
Gross losses	13,053	7,333	52,068

Trading Securities

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Purchases	\$ 37,916	\$ 33,820	\$ 399,606
Proceeds from sales	95,825	19,882	1,332
Gross gains	392	132	5
Gross losses	5,685	792	62

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, were as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Purchases	\$ 43,973	\$ 44,072	\$ 30,509
Proceeds from sales	70,915	35,647	81,516
Net recognized gains (losses)	4,183	-	(2,111)

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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.

HTM Measurement

For HTM securities, a quantitative analysis was performed by the Company to determine an expected ACL. For 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 2025 and 2024. 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 be 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>U.S. Corporate</u>	<u>Foreign Corporate and Government</u>	<u>Agency MBS</u>	<u>Non- agency MBS and ABS</u>	<u>Total</u>
Balance 12/31/2023	\$ 2,835	\$ 106	\$ 1,091	\$ 413	\$ 4,445
Provision (release)	<u>(470)</u>	<u>(44)</u>	<u>(198)</u>	<u>(377)</u>	<u>(1,089)</u>
Balance 12/31/2024	2,365	62	893	36	3,356
Provision (release)	<u>(550)</u>	<u>(33)</u>	<u>(165)</u>	<u>(32)</u>	<u>(780)</u>
Balance 12/31/2025	<u>\$ 1,815</u>	<u>\$ 29</u>	<u>\$ 728</u>	<u>\$ 4</u>	<u>\$ 2,576</u>

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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, 2025 and 2024, 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 decrease or increase in the ACL which are recognized in earnings and reported within net investment gains (losses).

Associated Electric & Gas Insurance Services Limited

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Maturities of Debt Securities

The amortized cost and fair value of AFS and HTM debt securities at December 31, 2025, 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	\$ 435,870	\$ 437,652	\$ 92,646	\$ 91,722	\$ 9,496	\$ 9,504
Due after 1 year through 5 years	2,694,143	2,724,744	95,592	94,871	7,893	8,027
Due after 5 years through 10 years	293,066	295,717	90,057	90,417	52,111	51,926
Due after 10 years	3,232	3,380	108,324	105,470	279,963	254,652
Subtotal	3,426,311	3,461,493	386,619	382,480	349,463	324,109
Agency MBS	859,689	873,084	298,633	270,104	-	-
Non-agency MBS and ABS	522,519	527,892	782	773	832	823
Total debt securities	\$ 4,808,519	\$ 4,862,469	\$ 686,034	\$ 653,357	\$ 350,295	\$ 324,932

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 amortized cost and fair value amounts for AFS and HTM are reflected net of ACL, ACL does not apply to Trading investments.

Associated Electric & Gas Insurance Services Limited

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Net Investment Income (Loss)

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Interest and dividend income	\$ 316,964	\$ 287,712	\$ 227,153
Net realized investment gains (losses)	22,217	24,220	(11,594)
Net realized foreign currency (losses) gains	(847)	(5,454)	(7,606)
Net unrealized investment gains (losses)	79,110	23,269	49,050
Total investment income (loss)	<u>417,444</u>	<u>329,747</u>	<u>257,003</u>
Investment expenses	<u>(23,326)</u>	<u>(19,615)</u>	<u>(19,782)</u>
Net investment income (loss)	<u>\$ 394,118</u>	<u>\$ 310,132</u>	<u>\$ 237,221</u>

Associated Electric & Gas Insurance Services Limited

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4. Fair Value Measurements

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

	December 31, 2025				Total
	Level 1	Level 2	Level 3	Investments Valued at NAV (*)	
Assets:					
Investments:					
Debt securities:					
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ -	\$ 1,330,523	\$ -	\$ -	\$ 1,330,523
U.S. corporate debt securities	21,177	1,122,229	-	-	1,143,406
Foreign corporate and foreign governments debt securities	-	985,453	-	-	985,453
Agency MBS	-	873,084	-	-	873,084
Non-Agency MBS and ABS	-	527,892	-	-	527,892
Direct lending	-	-	2,111	-	2,111
Total AFS investments	<u>21,177</u>	<u>4,839,181</u>	<u>2,111</u>	<u>-</u>	<u>4,862,469</u>
Equity securities:					
Equity securities/REITs	290,739	-	-	154,812	445,551
Mutual fund bonds	-	30,637	-	216,619	247,256
Mutual fund equities	-	-	-	241,717	241,717
Total equity securities	<u>290,739</u>	<u>30,637</u>	<u>-</u>	<u>613,148</u>	<u>934,524</u>
Other invested assets:					
Overseas deposits	-	76,038	-	-	76,038
Total other invested assets	<u>-</u>	<u>76,038</u>	<u>-</u>	<u>-</u>	<u>76,038</u>
Trading securities:					
U.S. Treasury securities and obligations of U.S. government corporations and agencies	-	182,246	-	-	182,246
U.S. corporate debt securities	-	126,597	-	-	126,597
Foreign corporate and foreign governments debt securities	-	15,266	-	-	15,266
Non-Agency MBS and ABS	-	823	-	-	823
Total trading securities	<u>-</u>	<u>324,932</u>	<u>-</u>	<u>-</u>	<u>324,932</u>
Cash equivalents including money market funds and short-term debt securities (**)	183,211	-	-	397,670	580,881
Total	<u>\$ 495,127</u>	<u>\$ 5,270,788</u>	<u>\$ 2,111</u>	<u>\$ 1,010,818</u>	<u>\$ 6,778,844</u>
Liabilities:					
Fair value of insurance and reinsurance					
Contracts	-	-	397,086	-	397,086
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 397,086</u>	<u>\$ -</u>	<u>\$ 397,086</u>

(*) 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.

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	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.

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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, 2025.

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		
	2025	2024	2023	2025	2024	2023
Balance, January 1	\$ (386,978)	\$ (392,523)	\$ (396,913)	\$ 7,644	\$ 9,430	\$ 13,518
Total gains (losses) realized/unrealized included in earnings	(5,790)	13,009	2,133	50	1,660	(330)
Issuances, purchases, and settlements:						
Issuances	(33,097)	(31,418)	(33,300)	-	-	-
Purchases	-	-	-	-	-	-
Settlements	28,779	23,954	35,557	(5,583)	(3,446)	(3,758)
Balance, December 31	<u>\$ (397,086)</u>	<u>\$ (386,978)</u>	<u>\$ (392,523)</u>	<u>\$ 2,111</u>	<u>\$ 7,644</u>	<u>\$ 9,430</u>
Changes in unrealized gains (losses) included in earnings related to obligations still held at reporting date	<u>\$ (5,790)</u>	<u>\$ 13,009</u>	<u>\$ 2,133</u>	<u>\$ 50</u>	<u>\$ 1,660</u>	<u>\$ (330)</u>

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, 2025	Valuation Technique	Unobservable Input	Selected Estimate
\$ 397,086	Risk-adjusted discounted cash flows	Nominal net value of contracts	\$ 654,878
		Effective average discount rate ^(*)	54.51%
		Risk margin ^(**)	8.94%
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%

(*) 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.

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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, and senior floating rate debt. 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:

	2025			2024		
	Carrying Value*	Fair Value	% of Total	Carrying Value*	Fair Value	% of Total
Mortgage loans:						
Commercial	\$ 77,004	\$ 69,800	97.4%	\$ 76,952	\$ 70,646	81.9%
Residential	12,241	12,250	15.5	26,365	26,292	28.1
Subtotal	89,245	82,050	112.9	103,317	96,938	110.0
Allowance for credit losses	(10,158)	-	(12.9)	(9,381)	-	(10.0)
Total, net	\$ 79,087	\$ 82,050	100.0%	\$ 93,936	\$ 96,938	100.0%

*Carrying value before ACL includes unearned loan commitment fees as of December 31, 2025 and 2024 of \$59 and \$105, respectively.

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Purchases of mortgage loans were \$0 and \$704 for the years ended December 31, 2025 and 2024, 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:

	<u>Commercial</u>	<u>Residential</u>	<u>Total</u>
Balance at December 31, 2023	\$ 16,533	\$ 1,265	\$ 17,798
Provision (release)	(7,254)	(1,163)	(8,417)
Balance at December 31, 2024	<u>9,279</u>	<u>102</u>	<u>9,381</u>
Provision (release)	843	(66)	777
Balance at December 31, 2025	<u>\$ 10,122</u>	<u>\$ 36</u>	<u>\$ 10,158</u>

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.

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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, 2025 and 2024, all loans, including those with modified terms were considered current, except for one commercial loan with a value of \$10,703 at December 31, 2025.

Credit Quality of Mortgage Loans

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

December 31, 2025	Commercial	Residential	Total Cost	Total Estimated Fair Value	% of Total (*)
Loan-to-value ratios:					
Less than 65%	\$ 24,979	\$ 12,257	\$ 37,236	\$ 37,230	45.4%
65% to 75%	-	-	-	-	-
76% to 85%	-	-	-	-	-
Greater than 85%	52,068	-	52,068	44,820	54.6
Total	<u>\$ 77,047</u>	<u>\$ 12,257</u>	<u>\$ 89,304</u>	<u>\$ 82,050</u>	<u>100.0%</u>
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	<u>\$ 77,047</u>	<u>\$ 26,375</u>	<u>\$ 103,422</u>	<u>\$ 96,938</u>	<u>100.0%</u>

(*) Percentage of total includes carrying value.

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December 31, 2025	Commercial	Residential	Total Cost	% of Total
Debt service credit ratio:				
Greater than 1.2x	\$ 59,012	\$ 12,257	\$ 71,269	79.8%
1.0x to 1.2x	-	-	-	-
Less than 1.0x	18,035	-	18,035	20.2
Total	<u>\$ 77,047</u>	<u>\$ 12,257</u>	<u>\$ 89,304</u>	<u>100.0%</u>

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	<u>\$ 77,047</u>	<u>\$ 26,375</u>	<u>\$ 103,422</u>	<u>100.0%</u>

6. Variable Interest Entities

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.

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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:

	Direct Lending	
	2025	2024
Cash and cash equivalents	\$ 173	\$ 260
Available-for-sale debt securities	2,111	7,644
Accrued interest	1	2
Other assets	-	55
Deferred tax assets	172	289
Total Assets of Consolidated VIEs	\$ 2,457	\$ 8,250
Current income taxes payable	\$ 3,138	\$ 3,063
Accrued expenses and other liabilities	27	36
Total Liabilities of Consolidated VIEs	\$ 3,165	\$ 3,099

7. Premiums

Written and earned premiums are comprised of the following:

	Years Ended December 31,		
	2025	2024	2023
Written Premiums:			
Direct	\$ 2,729,233	\$ 2,720,799	\$ 2,586,208
Assumed	248,928	240,482	250,235
Subtotal	2,978,161	2,961,281	2,836,443
Ceded	1,080,075	1,074,324	1,016,398
Net	\$ 1,898,086	\$ 1,886,957	\$ 1,820,045
Earned Premiums:			
Direct	\$ 2,749,745	\$ 2,607,037	\$ 2,475,766
Assumed	244,369	237,203	233,094
Subtotal	2,994,114	2,844,240	2,708,860
Ceded	1,081,814	1,023,401	985,943
Net	\$ 1,912,300	\$ 1,820,839	\$ 1,722,917

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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, 2025 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.

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

	Years Ended December 31,		
	2025	2024	2023
Reserve for losses and loss expenses at January 1	\$5,785,667	\$5,563,354	\$5,525,263
Unpaid losses and loss expenses recoverable	(2,532,319)	(2,357,522)	(2,568,574)
Net reserve for losses and loss expenses at January 1	<u>3,253,348</u>	<u>3,205,832</u>	<u>2,956,689</u>
Net incurred losses and loss expenses relating to losses occurring in:			
Current year	1,112,869	1,096,342	1,034,906
Prior years	(47,339)	(44,446)	19,862
Subtotal	<u>1,065,530</u>	<u>1,051,896</u>	<u>1,054,768</u>
Foreign exchange (gains) losses	25,507	(15,012)	24,295
Total net incurred losses and loss expenses	<u>1,091,037</u>	<u>1,036,884</u>	<u>1,079,063</u>
Net paid losses and loss expenses relating to losses occurring in:			
Current year	179,541	161,607	137,949
Prior years	714,342	827,761	691,971
Total net paid losses and loss expenses	<u>893,883</u>	<u>989,368</u>	<u>829,920</u>
Net reserve for losses and loss expenses at December 31	3,450,502	3,253,348	3,205,832
Unpaid losses and loss expenses recoverable	2,773,226	2,532,319	2,357,522
Reserve for losses and loss expenses at December 31	<u>\$6,223,728</u>	<u>\$5,785,667</u>	<u>\$5,563,354</u>

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.

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Notes to the Consolidated Financial Statements (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 (\$47,339), (\$44,446) and \$19,862 for the years ended December 31, 2025, 2024 and 2023, 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,		
	2025	2024	2023
US - Excess Liability	\$ 100,510	\$ 91,852	\$ 66,345
US - Property & Renewables	(41,633)	(19,938)	2,642
US - Directors & Officers	(23,164)	(15,834)	(5,820)
Syndicate - Property	(82,326)	(65,988)	(21,174)
Syndicate - Casualty	(11,763)	(36,365)	(17,883)
Other	11,037	1,827	(4,248)
Total (favorable) unfavorable prior year development	<u>\$ (47,339)</u>	<u>\$ (44,446)</u>	<u>\$ 19,862</u>

Associated Electric & Gas Insurance Services Limited

Notes to the Consolidated Financial Statements (Expressed in thousands of U.S. dollars)

The following describes the primary factors behind prior year reserve development for the years ended December 31, 2025, 2024 and 2023.

2025

U.S.—Excess Liability	Unfavorable development driven by environmental exposures.
U.S.—Property & Renewables	Favorable development driven by better than expected Catastrophe loss experience.
U.S.—D&O	Favorable development due to decreased large claim activity.
Syndicate—Property	Benign attritional/large experience in recent years due to rate adequacy.
Syndicate—Casualty	Releases in US Casualty Transport, International Casualty Binders, Marine Casualty, Energy EP Casualty, and US Errors and Omissions.

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.

Associated Electric & Gas Insurance Services Limited

Notes to the Consolidated Financial Statements (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 reserve for losses and loss expenses on the balance sheet as of December 31:

	2025
Net reserve for losses and loss expenses	
Presented in the loss development tables:	
US - Excess Liability	\$ 1,798,413
US – Property & Renewables	227,045
US - Directors & Officers	126,044
Syndicate - Property	461,730
Syndicate - Casualty	573,855
Syndicate – before 2016	40,975
Other	167,048
Net reserve for losses and loss expenses	\$ 3,395,110
Ceded reserve for losses and loss expenses:	
US - Excess Liability	1,601,685
US – Property & Renewables	371,013
US - Directors & Officers	166,663
Syndicate - Property	145,859
Syndicate - Casualty	411,483
Syndicate – before 2016	25,273
Other	51,250
Ceded reserve for losses and loss expenses	2,773,226
Unallocated loss adjustment expenses	55,392
Reserve for losses and loss expenses	\$ 6,223,728

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.

Associated Electric & Gas Insurance Services Limited

Notes to the Consolidated Financial Statements (Expressed in thousands of U.S. dollars)

(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 inception). 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

Associated Electric & Gas Insurance Services Limited

Notes to the Consolidated Financial Statements (Expressed in thousands of U.S. dollars)

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, 2025, 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, 2025 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.

Associated Electric & Gas Insurance Services Limited

Notes to the Consolidated Financial Statements (Expressed in thousands of U.S. dollars)

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

Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance
Year Ended December 31,

Accident Year	Unaudited									December 31, 2025	Net IBNR
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
2016	\$267,526	\$252,525	\$242,817	\$ 232,333	\$ 234,631	\$ 230,812	\$ 236,248	\$ 238,794	\$ 239,333	\$ 243,598	\$ 1,175
2017		297,572	320,270	302,203	296,481	274,757	279,700	291,002	282,289	280,218	2,800
2018			244,324	269,107	248,189	248,140	239,713	250,034	253,769	248,456	3,033
2019				266,160	326,890	335,556	298,605	293,351	296,214	309,970	4,522
2020					302,867	307,042	389,609	351,637	345,329	336,949	2,662
2021						348,360	335,194	321,323	306,742	290,114	3,502
2022							343,207	359,455	433,418	406,057	51,076
2023								334,073	293,254	323,559	80,853
2024									389,145	408,593	124,796
2025										449,931	304,531
Total										\$ 3,297,445	

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

											Cumulative Number of Reported Claims
2016	\$ 260	\$ 39,646	\$ 83,876	\$174,838	\$ 175,165	\$ 188,471	\$200,964	\$ 211,944	\$ 215,667	\$ 220,954	106
2017		5,383	112,056	166,001	217,338	215,627	249,508	250,267	265,707	272,133	126
2018			3,601	123,955	198,962	227,659	181,709	186,375	215,518	216,103	122
2019				149	37,490	125,923	175,190	246,338	270,798	282,442	107
2020					10,432	37,041	116,210	163,139	262,973	302,515	128
2021						5,901	18,258	79,480	203,056	228,255	136
2022							793	20,369	160,103	272,617	108
2023								3,285	45,418	76,791	88
2024									9,879	61,943	91
2025										18,579	41
Total										\$ 1,952,332	

All outstanding liabilities before 2016, net of reinsurance
Liabilities for losses and loss adjustment expenses, net of reinsurance

453,300
\$ 1,798,413

Associated Electric & Gas Insurance Services Limited

Notes to the Consolidated Financial Statements (Expressed in thousands of U.S. dollars)

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										December 31, 2025
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Net IBNR
2016	\$ 32,304	\$ 26,190	\$ 22,759	\$ 20,829	\$ 20,272	\$ 20,134	\$ 19,879	\$ 19,860	\$ 19,858	\$ 19,855	\$ -
2017		36,721	21,001	18,516	18,890	18,623	16,748	16,549	16,472	16,430	-
2018			43,123	39,140	38,347	35,491	33,100	36,662	33,853	33,740	13
2019				47,765	38,203	37,444	36,180	35,375	35,146	34,707	56
2020					72,102	57,679	50,417	48,822	48,609	47,951	411
2021						74,954	84,036	79,547	78,479	75,087	1,391
2022							151,019	163,635	160,052	152,013	3,659
2023								116,603	103,938	91,148	7,157
2024									118,776	108,322	22,271
2025										106,704	32,750
Total										<u>\$ 685,957</u>	

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

Accident Year	Unaudited										Cumulative Number of Reported Claims
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
2016	\$ 4,446	\$ 13,665	\$ 18,168	\$ 19,029	\$ 19,516	\$ 19,522	\$ 19,857	\$ 19,855	\$ 19,855	\$ 19,855	121
2017		2,864	9,395	14,251	15,636	15,863	16,382	16,431	16,431	16,430	176
2018			2,914	11,471	25,408	29,808	30,447	30,507	33,330	33,724	172
2019				6,124	23,779	31,155	33,936	34,284	34,608	34,559	176
2020					12,810	26,303	38,527	42,840	46,138	47,460	300
2021						7,514	38,005	61,559	67,143	71,924	223
2022							43,946	100,207	118,859	131,813	249
2023								15,203	48,307	64,740	229
2024									1,493	27,349	183
2025										11,059	159
Total										<u>\$ 458,913</u>	

All outstanding liabilities before 2016, net of reinsurance
Liabilities for losses and loss adjustment expenses, net of reinsurance

1
\$ 227,045

Associated Electric & Gas Insurance Services Limited

Notes to the Consolidated Financial Statements (Expressed in thousands of U.S. dollars)

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

Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance Year Ended December 31,

	Unaudited									December 31, 2025	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Net IBNR
Accident											
Year											
2016	\$ 30,568	\$ 26,973	\$ 29,535	\$ 33,358	\$ 32,219	\$ 31,294	\$ 27,029	\$ 25,007	\$ 24,753	\$ 24,219	\$ 1,308
2017		40,148	51,948	48,454	41,877	47,681	49,686	48,330	47,637	47,521	207
2018			20,718	15,857	23,288	19,480	17,976	20,998	20,948	16,616	310
2019				29,265	18,399	25,949	13,920	8,881	9,045	8,493	653
2020					45,226	66,216	59,353	55,657	54,908	44,620	1,753
2021						22,418	22,780	32,961	25,961	20,646	5,034
2022							32,022	29,307	21,743	12,981	12,735
2023								55,398	58,285	64,400	23,347
2024									24,451	29,292	28,451
2025										38,571	34,991
Total										<u>\$ 307,359</u>	

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

											Cumulative Number of Reported Claims	
2016	\$ 1,549	\$ 11,031	\$ 14,078	\$ 14,083	\$ 14,429	\$ 15,611	\$ 23,680	\$ 23,872	\$ 23,853	\$ 23,813		21
2017		335	5,193	12,262	23,128	21,640	36,429	49,698	49,021	48,892		17
2018			60	129	482	814	9,117	8,888	10,113	15,009		20
2019				56	773	1,461	6,767	5,109	4,857	5,540		18
2020					91	16,693	42,508	49,502	58,009	56,988		18
2021						40	309	334	15,111	15,112		12
2022							7	38	236	236		7
2023								12	287	8,257		8
2024									25	48		10
2025										52		17
Total										<u>\$ 173,947</u>		

All outstanding liabilities before 2016, net of reinsurance
Liabilities for losses and loss adjustment expenses, net of reinsurance

(7,368)
\$ 126,044

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, 2025 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	2%	17%	23%	24%	7%	8%	5%	3%	2%	2%
Property & Renewables	16%	36%	25%	8%	3%	1%	3%	0%	0%	0%
D&O	1%	11%	14%	25%	8%	6%	19%	10%	0%	0%

Associated Electric & Gas Insurance Services Limited

Notes to the Consolidated Financial Statements (Expressed in thousands of U.S. dollars)

Syndicate—Property and Casualty (\$000's except claim count)

Incurring Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

Year Ended December 31,

Property

Accident Year	Unaudited									December 31, 2025	Net IBNR
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
2016	\$ 169,667	\$161,071	\$159,817	\$162,677	\$160,899	\$164,045	\$162,922	\$158,254	\$ 163,994	\$ 162,823	\$ 719
2017		202,908	184,705	194,075	192,287	202,392	189,542	183,513	201,384	201,446	429
2018			208,906	198,608	196,132	181,631	192,320	191,013	186,462	188,645	2,512
2019				237,857	195,514	196,010	201,390	202,936	200,444	196,559	5,730
2020					272,903	153,272	178,190	181,082	179,414	175,229	4,956
2021						337,057	202,177	214,099	209,981	212,072	10,681
2022							329,546	289,644	265,323	255,538	18,734
2023								321,421	245,800	214,704	38,676
2024									363,464	310,238	71,525
2025										298,556	149,220
Total										<u>2,215,810</u>	

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

											Cumulative Number of Reported Claims
2016	\$ 77,815	\$127,741	\$142,098	\$148,361	\$150,909	\$154,653	\$157,326	\$155,843	\$ 160,663	\$ 161,265	8,266
2017		77,194	139,664	163,695	172,695	178,885	179,697	177,490	198,702	199,377	9,482
2018			65,906	142,136	165,170	172,748	177,552	187,168	183,427	184,061	9,485
2019				84,670	145,128	166,289	173,926	185,806	187,861	187,990	8,228
2020					80,034	133,291	157,737	164,603	164,064	165,815	7,551
2021						81,668	134,360	162,281	187,512	193,516	6,441
2022							75,931	175,489	206,900	223,018	6,899
2023								73,593	130,639	156,227	6,748
2024									101,642	192,716	7,453
2025										90,095	4,987
Total										<u>\$1,754,080</u>	

Liabilities for losses and loss adjustment expenses, net of reinsurance

\$ 461,730

Associated Electric & Gas Insurance Services Limited

Notes to the Consolidated Financial Statements (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									December 31, 2025 Net IBNR	
	2016	2017	2018	2019	2020	2021	2022	2023	2024		2025
2016	\$ 69,523	\$ 70,993	\$ 62,864	\$ 61,995	\$ 58,425	\$ 60,070	\$ 56,920	\$ 65,771	\$ 63,619	\$ 67,415	\$ 5,627
2017		91,572	93,602	87,177	84,942	87,710	89,300	98,128	102,189	104,539	11,542
2018			105,269	103,276	105,846	104,848	110,995	129,909	124,411	130,708	15,321
2019				116,817	135,090	125,752	128,999	130,132	128,618	137,758	22,811
2020					133,316	132,695	140,699	140,259	131,509	126,702	21,655
2021						132,045	146,575	117,626	115,906	116,908	28,736
2022							145,375	132,637	114,365	113,992	40,697
2023								136,869	133,802	123,716	62,151
2024									142,542	132,494	88,694
2025										136,701	113,779
Total										<u>\$ 1,190,933</u>	

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

											Cumulative Number of Reported Claims
2016	\$ 3,792	\$ 13,269	\$ 21,881	\$ 30,198	\$ 37,840	\$ 44,320	\$ 48,934	\$ 54,285	\$ 55,034	\$ 57,460	3,535
2017		9,767	18,876	30,570	44,198	54,397	63,586	67,404	78,825	84,044	4,108
2018			6,954	22,529	39,276	56,166	71,570	84,578	89,648	97,844	4,460
2019				13,619	31,198	48,120	63,591	72,889	84,457	97,264	5,013
2020					12,547	25,687	50,295	68,815	77,250	87,176	4,669
2021						11,428	25,777	33,136	48,071	67,731	4,367
2022							9,762	19,043	33,477	51,857	4,378
2023								6,191	23,874	40,809	3,868
2024									9,851	22,911	3,348
2025										9,983	1,602
Total										<u>\$ 617,079</u>	
										<u>\$ 573,854</u>	
										40,975	
										<u>\$ 1,076,559</u>	

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, 2025 for the Syndicate business.

Age in years	Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance									
	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%	3%	2%	0%
Casualty	8%	11%	13%	13%	11%	9%	6%	8%	3%	4%

Associated Electric & Gas Insurance Services Limited

Notes to the Consolidated Financial Statements (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,		
	2025	2024	2023
Reinsurance recoverable on losses and loss expenses at January 1,	\$ 2,532,319	\$ 2,357,522	\$ 2,568,574
Incurring losses and loss expenses ceded	688,819	545,201	626,453
Less: Paid losses and loss expenses ceded	449,990	369,561	839,127
Effect of foreign exchange rate changes	2,078	(843)	1,622
Reinsurance recoverable on losses and loss expenses at December 31,	2,773,226	2,532,319	2,357,522
Amounts currently due from reinsurers	193,548	207,633	285,748
Due from reinsurers	<u>\$ 2,966,774</u>	<u>\$ 2,739,952</u>	<u>\$ 2,643,270</u>

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, 2025 and 2024, 95 and 99 percent, respectively, 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, 2025 and 2024, such allowance was approximately \$128,369 and \$91,909, respectively. There were no write-offs of ceded losses for the years ended December 31, 2025 and 2024. As of December 31, 2025 and 2024, reinsurance recoverables overdue from reinsurers for 90 days or more, net of general allowance, were \$97,958 and \$105,054, respectively. Of this total in 2025, \$64,858 was attributable to one reinsurer.

At December 31, 2025 and 2024, the Company's largest ceded loss recoverable exposure resided with three reinsurers, the largest exposure was with an "A+" rated insurer totaling \$331,829 and \$344,711 at December 31, 2025 and 2024, respectively. The Company has reinsurance recoverables of \$330,619 and \$262,391, as of December 31, 2025 and 2024, respectively, from the second largest reinsurer, which has an "A+" rating. The Company has reinsurance recoverables of \$309,153 and \$292,666 as of December 31, 2025 and 2024, respectively, from the third largest reinsurer which has an "A+" rating.

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Notes to the Consolidated Financial Statements (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 applies 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 is 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 election annually. Accordingly, the Company has determined that no deferred tax balances related to Bermuda corporate income tax are necessary at December 31, 2025 and December 31, 2024.

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:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Current provision	\$ 89,264	\$ 94,460	\$ 62,237
Deferred provision	56,218	36,475	22,618
Total income tax provision	<u>\$ 145,482</u>	<u>\$ 130,935</u>	<u>\$ 84,855</u>

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

	<u>Tax Effect 2025</u>	<u>Percent of Pre-Tax Income</u>	<u>Tax Effect 2024</u>	<u>Percent of Pre-Tax Income</u>	<u>Tax Effect 2023</u>	<u>Percent of Pre-Tax Income</u>
U.S. federal income tax at statutory rate	\$ 131,101	21.0%	\$117,643	21.0%	\$ 80,386	21.0%
Adjustments:						
Company-owned officers' life insurance	(2,895)	(0.5)	(3,011)	(0.5)	(2,422)	(0.6)
Return-to-provision adjustments	1,139	0.2	614	0.1	(372)	(0.1)
Valuation allowance	16,741	2.7	15,117	2.7	6,044	1.6
Other permanent items	(604)	(0.1)	572	0.1	1,219	0.3
Total income tax provision	<u>\$ 145,482</u>	<u>23.3%</u>	<u>\$130,935</u>	<u>23.4%</u>	<u>\$84,855</u>	<u>22.2%</u>

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

	<u>2025</u>	<u>2024</u>
Deferred tax assets:		
Loss reserves	\$ 49,278	\$ 51,285
Net operating loss carryforwards	-	557
Unearned premiums	19,522	19,881
Anticipatory foreign tax credit	121,018	59,474
Foreign tax credit carryforwards	5,567	5,342
Profit commission and other accruals	67,074	49,722
Compensation and benefit accruals	35,346	28,293
Deferred acquisition costs	6,468	4,292
Unrealized investment losses on securities, net	-	4,773
Allowance for credit losses	2,674	2,675
Other deferred tax assets	4,663	870
Deferred tax assets before valuation allowance	<u>311,610</u>	<u>227,164</u>
Less: Valuation allowance	<u>(45,765)</u>	<u>(29,024)</u>
Deferred tax assets net of valuation allowance	<u>265,845</u>	<u>198,140</u>
Deferred tax liabilities:		
Unrealized investment gains on securities, net	11,287	-
Fair value of insurance and reinsurance contracts	54,136	57,686
Fixed asset basis difference	5,141	125
TCJA transition adjustment	-	759
Basis difference in investments	26,528	6,201
Syndicate technical account	256,003	148,333
Deferred tax liabilities	<u>353,095</u>	<u>213,104</u>
Net deferred tax asset/(liability)	<u>\$ (87,250)</u>	<u>\$ (14,964)</u>

The Company has \$5,567 of foreign tax credit carryforward, which is set to expire beginning in 2034 through 2035. The Company fully utilized the net operating loss carryforward in 2025. As a result, no net operating loss carryforwards remain available for use in future periods.

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.

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Accordingly, as of December 31, 2025, a valuation allowance of \$45,765 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 DTA that is realizable and the amount of DTA actually realized during the year.

The 2022-2024 tax years are open to IRS audit with respect to all income tax matters, including utilization of tax attributes (including net operating loss carryforwards) generated in prior years.

At December 31, 2025, 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.

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 2042. 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 2052. 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 for office space at 30 Hudson Street, Jersey City, New Jersey. Possession occurred on May 1, 2025, with rent scheduled to commence June 1, 2027. The office was operational as of November 2025, prompting the Company to vacate its prior Meadowlands location at 1 Meadowlands Plaza, East Rutherford, New Jersey. An impairment of the related ROU asset of approximately \$3.3 million was recorded for the Meadowlands location. Lease payments for the Meadowlands location will continue through 2027, with no sublease or future use anticipated. All outstanding lease obligations are summarized in the tables below.

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, 2025	December 31, 2024
Right of use assets	\$ 38,248	\$ 14,500
Lease liabilities	47,939	14,183
Weighted average remaining lease term	14 years	5 years
Weighted average discount rate	3.86%	1.12%

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Future minimum lease payments for operating leases:

Year	Amount
2026	\$ 3,592
2027	4,531
2028	4,557
2029	4,620
2030	4,685
Years thereafter until 2042	45,769
Total undiscounted lease payments	67,754
Less: imputed interest	19,238
Less: lease incentives	577
Present value of lease liabilities	\$ 47,939

Rent expense is recorded in other underwriting expenses in the consolidated statements of income and comprehensive income, for the years ended December 31, 2025, 2024 and 2023 and was \$7,764, \$5,980, and \$5,632, respectively. Operating cash outflows from operating leases totaled \$5,329 and \$5,007 for the periods ended December 31, 2025 and 2024, 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, 2025 and 2024, the Company's limited partnership investments had unfunded direct lending commitments totaling \$237,507 and \$206,632, respectively.

As of December 31, 2025 and 2024, the Company's mortgage loan investments had unfunded commitments totaling \$433 and \$21, respectively.

Securities on Deposit and Letters of Credit

At December 31, 2025, the Company had securities and cash on deposit of \$1,331,338 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 \$459,761, of which \$335,182 was committed at December 31, 2025. At December 31, 2025, the Company had pledged assets of cash and debt securities, valued at \$671,947, as collateral to secure these 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.

12. Dividend Restrictions

No dividend transfers occurred in 2025, 2024 and 2023. At December 31, 2025, there were no significant restrictions on the payment of dividends from AISL to AEGIS London Holding.

In 2025, 2024 and 2023, there were no dividend transfers from AEGIS London Holding to AEGIS.

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Notes to the Consolidated Financial Statements (Expressed in thousands of U.S. dollars)

13. Subsequent Events

AEGIS has evaluated all events subsequent to December 31, 2025 through the consolidated financial statements issuance date of March 31, 2026, 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. As a Class 3 insurer, the Bermuda Statutory policyholders' surplus at December 31, 2025 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.

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	General Liability			Directors & Officers Liability			Total		
	2025	2024	2023	2025	2024	2023	2025	2024	2023
Revenue:									
Net premiums earned	\$1,524,877	\$1,359,459	\$1,338,961	\$ 387,423	\$ 461,380	\$ 383,956	\$1,912,300	\$1,820,839	\$1,722,917
Net investment income	289,134	208,911	173,226	104,984	101,221	63,995	394,118	310,132	237,221
Change in fair value of insurance and reinsurance contracts	(5,790)	13,009	2,133	-	-	-	(5,790)	13,009	2,133
Total revenue	<u>1,808,221</u>	<u>1,581,379</u>	<u>1,514,320</u>	<u>492,407</u>	<u>562,601</u>	<u>447,951</u>	<u>2,300,628</u>	<u>2,143,980</u>	<u>1,962,271</u>
Expenses:									
Losses and loss expenses incurred	940,546	854,968	863,560	150,491	181,916	215,503	1,091,037	1,036,884	1,079,063
Commission expenses	168,589	149,288	150,091	62,818	73,136	57,232	231,407	222,424	207,323
Other underwriting expenses	201,404	174,989	165,366	62,130	72,123	55,310	263,534	247,112	220,676
Total expenses	<u>1,310,539</u>	<u>1,179,245</u>	<u>1,179,017</u>	<u>275,439</u>	<u>327,175</u>	<u>328,045</u>	<u>1,585,978</u>	<u>1,506,420</u>	<u>1,507,062</u>
Income before continuity and other premium credits and income taxes	497,682	402,134	335,303	216,968	235,426	119,906	714,650	637,560	455,209
Continuity and other premium credits	60,793	50,581	47,781	29,564	26,772	24,638	90,357	77,353	72,419
Income before income taxes	436,889	351,553	287,522	187,404	208,654	95,268	624,293	560,207	382,790
Income tax provision	102,666	82,939	63,636	42,816	47,996	21,219	145,482	130,935	84,855
Net income	334,223	268,614	223,886	144,588	160,658	74,049	478,811	429,272	297,935
Other comprehensive (loss) income	42,968	(35,080)	19,224	17,449	(15,147)	8,015	60,417	(50,227)	27,239
Other surplus adjustments	(158)	368	(7,517)	-	-	-	(158)	368	(7,517)
Total surplus—beginning of year	<u>1,543,107</u>	<u>1,309,205</u>	<u>1,073,612</u>	<u>1,384,299</u>	<u>1,238,788</u>	<u>1,156,724</u>	<u>2,927,406</u>	<u>2,547,993</u>	<u>2,230,336</u>
Total surplus—end of year	<u>\$ 1,920,140</u>	<u>\$ 1,543,107</u>	<u>\$ 1,309,205</u>	<u>\$ 1,546,336</u>	<u>\$ 1,384,299</u>	<u>\$ 1,238,788</u>	<u>\$ 3,466,476</u>	<u>\$ 2,927,406</u>	<u>\$ 2,547,993</u>