CAUTIONARY NOTICE REGARDING FORWARD-LOOKING INFORMATION

This web site may contain forward-looking statements that are intended to enhance the reader's ability to assess the future financial and business performance of Liberty Mutual Group ("LMG" or the "Company"). Forward- looking statements include, but are not limited to, statements that represent the Company's beliefs concerning future operations, strategies, financial results or other developments, and contain words and phrases such as "may," "expects," "should," "believes," "anticipates," "estimates," "intends" or similar expressions. Because these forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond the Company's control or are subject to change, actual results could be materially different.

Such forward-looking statements should be regarded solely as the Company's current plans, estimates and beliefs. The Company does not intend, and does not undertake, any obligation to update any forward-looking statements to reflect future events or circumstances after the date of such statements.

Please refer to Risk Factors below for a discussion of the various factors that could cause an adverse effect on the business, operations and financial condition of the Company.

LIBERTY MUTUAL RISK FACTORS

An investment involves certain risks. In consultation with your own financial, legal and tax advisors, you should carefully consider the information included in any Offering Memorandum and pay special attention to the following discussion of risks relating to any offering before deciding whether an investment is suitable for you. Such risks should be considered in connection with evaluating forward-looking statements, and are otherwise made by, or on behalf of, the Company, because these factors could cause actual results and conditions to differ materially from those projected in any forward-looking statements. Events relating to any of the following risks or other risks and uncertainties could seriously harm the business, financial condition and results of operations of the Company. In such a case, the value of any investment in the Company, when and if they are issued, could decline, or Liberty Mutual may be unable to meet its obligations under the related investment agreement(s), other ancillary agreements or notes, which in turn could cause investors to lose all or part of their investment. The risks and uncertainties described below and in the other documents referred to above are not the only ones faced by an investor, and this section is intended only as a summary of certain material factors. Before investing, you should consider the risks relating to an investment in the Company and its debt securities as well as the risks inherent to the terms and structure of the investment.

Risks Relating to the Company's Business

Unpredictable catastrophic events could have a material adverse effect on the Company's results of operations, financial condition or liquidity.

The Company's insurance operations expose it to claims arising out of catastrophes. Catastrophes can be caused by various natural events, including hurricanes, windstorms, earthquakes, hail, severe winter weather, wildfires and volcanic eruptions. Catastrophes can also be man-made, such as terrorist acts (including those involving nuclear, biological, chemical or radiological events), riots, oil spills, other hazardous material releases, utility outages, cyberattacks, epidemics, pandemics, other widespread health risks, or consequences of war or political instability, including the war in Ukraine and conflicts in Israel and surrounding areas. In the United States, the geographic distribution of the Company's business subjects it to catastrophe exposures, including hurricanes from Maine through Texas; tornadoes throughout the Central States and Southeast; earthquakes in California, the New Madrid region and the Pacific Northwest; and wildfires, particularly in California and the Southwest. In addition, the Company's international operations subject it to a variety of world-wide catastrophe exposures.

The incidence and severity of catastrophes are inherently unpredictable. Some scientists believe that in recent years, changing climate conditions have added to the unpredictability, duration, and frequency of natural disasters (including hurricanes, tornadoes, hail, other storms and fires) in certain parts of the world and created additional uncertainty as to future trends and exposures. It is possible that the frequency and severity of natural and man-made catastrophic events could increase. The catastrophe modeling tools that the Company uses to help manage certain of its catastrophe exposures are based on assumptions, judgments and data entry that are subject to error and may produce estimates that are materially different from actual results. Changing climate conditions could cause the Company's catastrophe models to be even less predictive, thus limiting the Company's ability to effectively manage those exposures. If, based upon these models or other factors, the Company misprices its products or underestimates the frequency and/or severity of loss events, the Company may incur losses. Conversely, if the Company overestimates the risks it is exposed to, the Company may harm new business growth and retention of its existing business.

The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Where the Company has geographic concentrations of policyholders, a single catastrophe or destructive weather trend affecting a region may significantly impact the Company's financial condition and results of operations. States have from time to time passed legislation, and regulators have taken action, that has the effect of limiting the ability of insurers to manage catastrophe risk, such as legislation prohibiting insurers from reducing exposures or withdrawing from catastrophe-prone areas or mandating that insurers participate in residual market mechanisms. Participation in residual market mechanisms has resulted in, and may continue to result in, significant losses or assessments to insurers, including the Company, and, in certain states, those losses or assessments may not be commensurate with the Company's catastrophe exposure in those states. If the Company's competitors leave those states having residual market mechanisms, remaining insurers, including the Company, may be subject to significant increases in losses or assessments following a catastrophe. In addition, following catastrophes, there are sometimes legislative initiatives and court decisions that seek to expand insurance coverage for catastrophe claims beyond the original intent of the policies. Also, the Company's ability to increase pricing to the extent necessary to offset rising costs of catastrophes, particularly in the Company's personal lines, requires approval of the regulatory authorities of certain states. The Company's ability or willingness to manage its catastrophe exposure by raising prices, modifying underwriting terms or reducing exposure to certain geographies may be limited due to considerations of public policy, the evolving political environment, and changes in the general economic climate. The Company also may choose for strategic purposes, such as improving its access to other underwriting opportunities, to write business in catastrophe-prone areas that it might not otherwise write.

There are also risks that affect the estimation of ultimate costs for catastrophes. For example, the estimation of reserves related to hurricanes can be affected by the inability to access portions of the affected areas, the complexity of factors contributing to the losses, legal and regulatory uncertainties and the nature of the information available to establish the reserves. Complex factors include: determining whether damage was caused by flooding versus wind, evaluating general liability and pollution exposures, estimating additional living expenses, estimating the impact of demand surge, infrastructure disruption, fraud, the effect of mold damage, business interruption costs and reinsurance collectability. The timing of a catastrophe's occurrence, such as at or near the end of a reporting period, can also affect the information available to the Company in estimating reserves for that reporting period. The estimates related to catastrophes are adjusted as actual claims emerge and additional information becomes available.

Catastrophe losses, and the accumulation and development of losses from smaller weather-related events, could have a material adverse effect on the Company's results of operations, financial condition or liquidity for any fiscal quarter or year, which in turn could adversely affect the Company's financial strength and claims-paying ratings and could impair its ability to raise capital on acceptable terms or at all. Also, as a result of the Company's exposure to catastrophe losses or actual losses following a catastrophe, rating agencies may further increase their capital requirements, which may adversely affect the Company's ratings unless it successfully raises additional capital. A ratings downgrade could hurt the Company's ability to compete effectively or attract new business. In addition, catastrophic events could cause the Company to exhaust its available reinsurance limits and could adversely affect the cost and availability of reinsurance. Such events can also affect the credit of the Company's reinsurers. Catastrophic events could also adversely affect the credit of the issuers of securities, such as states or municipalities, in which the Company has invested, which could have a material adverse effect on the Company's results of operations, financial condition or liquidity.

The Company's preliminary estimated financial information may change as it is finalized.

The preliminary estimated financial information set forth under "Liberty Mutual Group Inc. – Recent Developments" is preliminary and subject to change. The Company's financial statements as of and for the periods ended September 30, 2024 are not yet finalized. Accordingly, the preliminary estimates of certain financial information that the Company expects to report as of and for the periods ended September 30, 2024 are based solely on information available to the Company at the date of this Offering Memorandum. The Company has prepared in good faith these preliminary estimates on a basis that is materially consistent with the financial data that the Company expects to present based upon its internal reporting. These estimates are preliminary and unaudited and are inherently uncertain and subject to change as the Company completes its financial statements.

The Company's final results remain subject to the completion of closing procedures, final adjustments, quarter-end review processes and developments that may arise between now and the time the financial results are finalized. Accordingly, you should not place undue reliance on this preliminary estimated information, which may differ materially from final results. These preliminary estimates should not be viewed as a substitute for the Company's full financial statements prepared in accordance with GAAP. In addition, they are not necessarily indicative of the results to be achieved in any future period.

Estimated hurricane loss information set forth above is based upon incomplete preliminary information and these estimates may change as further information becomes available. Factors that may cause hurricane losses to differ from preliminary estimates include potential claims that have not yet been identified, claims that have not yet been submitted, delays in assessing damages, and uncertainties related to potential disputed claims or litigation.

Investors should exercise caution in relying on the information identified above and should not draw any inferences from this information regarding financial or operating data not yet provided or available.

The current Russia-Ukraine conflict may have a material adverse effect on the Company's results of operations.

On February 24, 2022, Russia started a military operation against Ukraine. The conflict has caused economic disruptions, increased global volatility and uncertainty in the financial markets.

Over the past few years, the U.S. and other countries have also sanctioned thousands of companies, individuals, vessels, and aircraft in Russia and in third countries as a result of their activities relating to the conflict, support of the Russian government, or involvement in efforts to circumvent Western sanctions. Sanctions that have been imposed are highly complex and continuously evolving. In addition, the countries imposing sanctions and other restrictive measures are not always aligned, creating added compliance complexities. The Company has a comprehensive global sanctions compliance program that includes policies, procedures and internal controls to mitigate risk. Compliance teams continuously monitor potential risks, conduct due diligence and assess developments that could impact the Company.

The Russia-Ukraine conflict, sanctions and other restrictive measures impact a wide range of insurance/reinsurance policies in various lines of business. The Company has recorded incurred but not reported ("*IBNR*") reserves related to the Russia-Ukraine conflict and continues to monitor the situation. Establishing an appropriate level of loss reserves is an inherently uncertain process. Because of this uncertainty and the unpredictability of future developments in the Russia-Ukraine conflict, it is possible that the Company's loss reserves at any given time could prove inadequate. If the Russia-Ukraine conflict continues for a significant period of time, escalates beyond the current situation, or causes other adverse impacts, the Company could experience a higher claim volume and may need to increase its initial loss reserve estimates related to the conflict, which increase could have a material adverse effect on the Company's results of operations in future periods.

Failure to comply with anti-bribery or anti-money laundering laws could have a material adverse effect on the Company's results of operations, financial condition or liquidity.

The Company is subject to various laws and regulations relating to corrupt and illegal payments to government officials and others, including the U.S. Foreign Corrupt Practices Act and the U.K.'s Anti-Bribery Law. The obligation of financial institutions, including the Company, to identify their clients, to monitor for and report suspicious transactions, to monitor dealings with government officials, to respond to requests for information by regulatory authorities and law enforcement agencies, and to share information with other financial institutions, requires the Company to maintain related internal practices, procedures and controls. The Company has self-reported to the U.S. Department of Justice a small amount of noncompliant payments made by a non-U.S. subsidiary. The Company is fully cooperating with the Department's review. Although the Company does not expect this matter to have a material impact, any related penalties are not known at this time.

In addition, the Company's businesses are subject to various anti-money laundering and financial transparency laws and regulations that seek to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism or money laundering. Further, under current U.S. law and regulations the Company may be prohibited from dealing with certain individuals or entities in certain circumstances and may be required to monitor customer activities, which may affect the Company's ability to attract and retain customers.

Failure to comply with anti-bribery or anti-money laundering laws could have a material adverse effect on the Company's results of operations, financial condition or liquidity.

The Company's claims and claim adjustment expense reserves may be inadequate to cover its ultimate liability for unpaid claims and claim adjustment expenses, and any such inadequacy could have a material adverse effect on the Company's results of operations, financial condition or liquidity.

The Company's success depends in part on its ability to accurately assess the risks associated with the businesses and individuals that it insures. The Company is required to maintain adequate reserves to cover its estimated ultimate liabilities for unpaid claims and claim adjustment expenses ("loss reserves" or "unpaid claims and claim adjustment expenses"). Reserves for these liabilities are typically composed of (1) case reserves for claims reported and (2) reserves for losses that have occurred but for which claims have not yet been reported, referred to as IBNR reserves. Loss reserves do not represent an exact calculation of liability. Case reserves represent reserves established for reported claims. IBNR reserves include a reserve for unreported claims, future claims payments in excess of case reserves on recorded open claims, additional claims payments on closed claims, claims that have been reported but not recorded and the cost of claims that have been incurred but have not yet been reported to the Company to arrive at management's best estimate. IBNR reserves represent management estimates, generally utilizing actuarial expertise and projection techniques, at a given accounting date. In arriving at management's best estimate, management utilizes actuarial indications in conjunction with their knowledge and judgment about operational and environmental conditions. Consideration is given to any limitations in the actuarial methodologies and assumptions that may not be completely reflective of future loss emergence as well as to historical development on immature years and the historical movement of unpaid claims and claim adjustment expense estimates as these years typically mature. Loss reserve estimates are refined periodically as experience develops and claims are reported and settled. Many factors can ultimately affect the final settlement of a claim and, therefore, the necessary reserve. Changes in the law, results of litigation, medical costs, the costs of repair materials and labor rates can all affect ultimate claim costs. In addition, time can be a critical part of reserve determinations since the longer the span between the incidence of a loss and the payment or settlement of the claim, the more the ultimate settlement can vary. Establishing an appropriate level of loss reserves is an inherently uncertain process. Because of this uncertainty, it is possible that the Company's loss reserves at any given time could prove inadequate.

If in the future the Company determines that its loss reserves are insufficient to cover its actual unpaid claims and claim adjustment expenses, it would have to add to its loss reserves, which could have a material adverse effect on its results of operations, financial condition or liquidity.

The Company's business could be harmed because its potential exposure for asbestos and environmental ("A&E") claims and related litigation is unique and very difficult to predict, and the Company's ultimate liability may exceed its currently recorded loss reserves.

The Company has exposure to A&E claims that emanate principally from general liability policies written prior to the mid-1980s. Asbestos claims relate primarily to injuries asserted by those who allegedly came in contact with asbestos or products containing asbestos. Environmental claims relate primarily to pollution and related clean-up cost obligations, particularly as mandated by federal and state environmental protection agencies. The process of establishing loss reserves for A&E claims is subject to greater uncertainty than the establishment of loss reserves for liabilities relating to other types of insurance claims.

The Company estimates its net A&E loss reserves based upon numerous factors, including the facts surrounding reported cases and exposures to claims, such as policy limits and deductibles, current law, past and projected claim activity and past settlement values for similar claims, reinsurance coverage as well as analysis of industry studies and events, such as recent settlements and asbestos-related bankruptcies. Several factors make it difficult to establish A&E loss reserves, including: (i) the lack of available and reliable historical claims data as an indicator of future loss development; (ii) the long waiting periods between exposure and manifestation of bodily injury or property damage; (iii) the difficulty in identifying the source of A&E contamination; (iv) the difficulty in properly allocating liability for A&E damage; (v) the uncertainty as to the number and identity of insureds with potential exposure; (vi) the cost to resolve claims; and (vii) the collectability of reinsurance.

The uncertainties associated with establishing loss reserves for A&E claims and claim adjustment expenses are compounded by the differing, and at times inconsistent, court rulings on A&E coverage issues involving: (i) differing interpretations of various insurance policy provisions and whether A&E losses are, or were ever intended to be, covered; (ii) when the loss occurred and what policies provide coverage; (iii) whether there is an insured obligation to defend; (iv) whether a compensable loss or injury has occurred; (v) whether lung cancer claims may appropriately be attributable to A&E; (vi) how policy limits are determined; (vii) how policy exclusions are applied and interpreted; (viii) the impact of entities seeking bankruptcy protection as a result of A&E-related liabilities; (ix) whether all clean-up associated costs are covered as insured property damage; and (x) applicable coverage defenses or determinations, if any, including the determination as to whether or not an asbestos claim is a product or completed operation claim subject to an aggregate limit and the available coverage, if any, for that claim.

As a result of the significant uncertainty inherent in determining a company's A&E liabilities and establishing related reserves, the amount of reserves required to adequately fund the Company's A&E claims cannot be accurately estimated using conventional reserving methodologies based on historical data and trends. As a result, the use of conventional reserving methodologies frequently has to be supplemented by subjective considerations, including managerial judgment. Thus, the ultimate amount of the Company's A&E exposures may vary materially from the reserves currently recorded and could exceed the currently recorded reserves. This could have a material adverse effect on the Company's results of operations, financial condition or liquidity. For more information about A&E claims, see "Business of the Company—Asbestos & Environmental Reserve Reviews."

Emerging risks and liability theories may create additional liabilities or cause increases in the Company's loss estimates.

The Company faces potential exposure to various types of existing, new and emerging mass tort claims, including those related to exposure to potentially harmful products or substances, such as microplastics, lead, per- and polyfluoroalkyl substances (PFAS), and opioids; claims arising from changes that expand the right to sue, remove limitations on recovery, extend statutes of limitations or otherwise repeal or weaken tort reforms; and claims related to new and emerging theories of liability, such as those related to global warming and climate change. For example, over the past few years, several states have enacted legislation allowing victims of sexual molestation to file or proceed with claims that had been previously time-barred and additional states are considering similar legislative changes. In addition, evolving judicial interpretations and new legislation regarding the application of various tort theories and defenses, including application of various theories of joint and several liability, as well as the attempted application of insurance coverage to these claims, give rise to new and potentially more severe claim activity including the assertion of "public nuisance" or similar theories of liability, pursuant to which plaintiffs, including governmental entities, seek to recover monies spent to respond to harm caused to members of the general public, abate hazards to public health and safety and/or recover expenditures purportedly attributable to a "public nuisance." Because of the uncertainties set forth above, additional liabilities may arise for amounts in excess of the Company's current loss reserves. In addition, the Company's estimate of loss reserves may change. These additional liabilities or increases in estimates, or a range of either, could vary significantly from period to period and could have a material adverse effect on the Company's results of operations, financial condition or liquidity.

The Company may not be able to successfully alleviate risk through reinsurance arrangements. Additionally, it may be unable to collect all amounts due from its reinsurers under its reinsurance arrangements.

The Company attempts to limit its risk of loss through reinsurance arrangements, such as excess of loss and catastrophe coverage, and through customized coverages such as that provided by the reinsurance arrangements with National Indemnity Company ("*NICO*"), a subsidiary of Berkshire Hathaway Inc., relating to the Company's A&E and workers compensation liabilities (the "*NICO Reinsurance Transaction*"). See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates—Reinsurance Recoverables." The availability and cost of reinsurance protection is subject to market conditions, which are outside of the Company's control. In addition, the coverage under the Company's existing and future reinsurance contracts may be inadequate to cover the Company's liabilities. As a result, the Company may not be able to successfully alleviate risk through these arrangements, which could have a material adverse effect on its results of operations, financial condition or liquidity.

The Company is not relieved of its obligation to its policyholders by purchasing reinsurance. Accordingly, it is subject to credit risk with respect to its reinsurance if a reinsurer is unable to pay amounts owed to the Company as a result of a deterioration in the reinsurer's financial condition or if the reinsurer simply is unwilling to pay due to a dispute or other factors beyond the Company's control. In the past, certain reinsurers have ceased writing business and entered into run-off. Some of the Company's reinsurance claims may be disputed by the reinsurers, and the Company may ultimately receive partial or no payment. This is a particular risk in the case of claims that relate to insurance policies written many years ago, including those relating to A&E claims. The ability of reinsurers to transfer their risks to other, less creditworthy reinsurers may adversely affect the Company's ability to collect amounts due to the Company.

Included in reinsurance recoverables are certain amounts related to structured settlements. Structured settlements comprise annuities purchased from various life insurance companies to settle certain personal physical injury claims, of which workers compensation claims constitute a significant portion. In cases where the Company did not receive a release from the claimant, the structured settlement is included in reinsurance recoverables as the Company retains the contingent liability to the claimant. If the life insurance company fails to make the required annuity payments, the Company would be required to make such payments.

Because of the risks set forth above, the Company may not be able to collect all amounts due to it from reinsurers, and reinsurance coverage may not be available to the Company in the future at commercially reasonable rates or at all. In addition, life insurance companies may fail to make required annuity payments. As a result, there could be a material adverse effect on the Company's results of operations, financial condition or liquidity.

Disruptions to the Company's relationships with its independent agents and brokers could materially adversely affect it.

Other than in the personal insurance segment of the Company's U.S. Retail Markets business, the Company markets substantially all of its insurance products through independent agents and brokers. Independent agents and brokers may sell the Company's competitors' products and may stop selling the Company's products altogether. Many insurers offer products similar to those of the Company. In choosing an insurance carrier, the Company's independent agents and brokers may consider ease of doing business, reputation, price of product, customer service, claims handling and the insurer's compensation structure. The Company may be unable to compete with insurers that adopt more aggressive pricing policies or more generous compensation structures, offer a broader array of products or have extensive promotional and advertising campaigns. Loss of the business provided through independent agents and brokers could have a material adverse effect on the Company's future business volume and results of operations.

During or following a period of financial market disruption or economic downturn, the Company's business could be materially and adversely affected.

During the last decade, worldwide financial markets experienced significant disruptions and, during a portion of this period, the United States and many other economies experienced a prolonged economic downturn, resulting in heightened credit risk, reduced valuation of investments and decreased economic activity. While economic conditions have generally improved, there is continued uncertainty regarding the strength of the economy. While inflation had previously been limited, supply chain issues resulting from businesses and consumers coming out of the pandemic, a shortage of workers and the Russia-Ukraine conflict have led to an increase in prices across the economy and that trend may continue.

Economic uncertainty has been exacerbated in recent years by the increased potential for default by one or more European sovereign debt issuers, the potential partial or complete dissolution of the Eurozone and its common currency, the Russia-Ukraine conflict and the economic disruptions caused by the sanctions instituted against Russia, Belarus and certain regions of Ukraine as a consequence of Russia's invasion of Ukraine, and the negative impact of such events on global financial institutions and capital markets generally. Actions or inactions of European governments may affect these actual or perceived risks. In addition, future actions or inactions of the U.S. government, including a failure to increase the government debt limit or a shutdown of the federal government, could increase the actual or perceived risk that the United States may not ultimately pay its obligations when due and may disrupt financial markets.

A deterioration of economic conditions, or a significant disruption of the financial markets could have a material adverse effect on the Company's results of operations, financial condition or liquidity. Several of the risk factors discussed in this Offering Memorandum identify risks that result from, or are exacerbated by, an economic slowdown or financial disruption. These include risks related to the Company's investment portfolio, reinsurance arrangements, other credit exposures, estimates of claims and claim adjustment expense reserves, emerging claim and coverage issues, the competitive environment, regulatory developments and the impact of rating agency actions.

Many of these risks could materialize, and the Company's financial results could be negatively affected, even after the end of an economic downturn or financial disruption. During or following an economic downturn, lower levels of economic activity could reduce (and historically have reduced) exposure changes at renewal, which generally results in decreased premiums. They also could adversely affect (and historically have adversely affected) audit premium adjustments, policy endorsements and mid-term cancellations after policies are written, which could adversely affect the Company's written premiums. In addition, because earned premiums lag written premiums, the Company's results can be adversely affected after general economic conditions have improved.

Recently, concerns have arisen with respect to the financial condition of several banking organizations in the United States, particularly those with exposure to certain types of depositors and large portfolios of investment securities. While the Company did not have any deposit exposure to the failed banks, the Company does maintain its cash at financial institutions, often in balances that exceed the current FDIC insurance limits. In addition, the Company's surety business continues to write excess deposit insurance (insurance for deposits in excess of the FDIC deposit insurance limits) covering a diversified pool of banks/financial institutions.

The inflationary environment following the COVID-19 pandemic, as discussed in this Offering Memorandum, adversely affected the Company's loss costs, and those costs have not returned to pre-pandemic levels. Any resurgence of inflation resulting in further increases in loss costs could affect the Company's results of operations and liquidity and could additionally adversely affect the valuation of the Company's investment portfolio. Finally, as a result of the financial market disruptions over the past several years, the Company may, as discussed in this Offering Memorandum, face increased regulation.

The Company's investment portfolio may suffer reduced returns or material losses.

Investment returns are an important part of the Company's overall profitability and investment values can materially impact equity.

The Company's investment portfolio may be adversely affected by changes in interest rates. If the market value of the Company's fixed maturity portfolio decreases, the Company may realize losses if it deems the value of its fixed income portfolio to be other-than-temporarily impaired. For more information, see "—Interest rates may rise or decline, resulting in a change in the carrying value of the Company's investments or a reduction in its liquidity."

The Company's investment-grade bond portfolio is invested, in substantial part, in obligations of states, municipalities and political subdivisions (collectively referred to as the municipal bond portfolio). Notwithstanding the relatively low historical rates of default on many of these obligations, the occurrence of a major economic downturn, widening credit spreads, budgetary deficits or other events that adversely affect the issuers or guarantors of these securities could cause the value of the Company's fixed maturity securities portfolio and the Company's net income to decline and the default rate of the Company's fixed maturity securities portfolio to increase.

Supplementing the Company's broadly based portfolio of investment-grade bonds, the Company invests in additional asset types with the objective of further enhancing the portfolio's diversification and expected returns. These additional asset types include commercial mortgages and other real estate investments, non-investment-grade bonds, private credit, private equity, direct investments in natural resources, energy transition and infrastructure and common and preferred stock.

During or following an economic downturn or period of financial market disruption, the Company's investment portfolio could be subject to higher risk. The value of the Company's investment portfolio is subject to the risk that certain investments may default or become impaired due to a deterioration in the financial condition of one or more issuers of the securities held in the portfolio. Such defaults and impairments could reduce the Company's net investment income and result in realized investment losses. In 2008 and 2009, worldwide financial markets experienced significant disruptions and the United States and many other economies experienced a prolonged economic downturn, resulting in heightened credit risk, reduced valuation of investments and decreased economic activity. The financial market volatility in addition to idiosyncratic geopolitical shocks (for example, any Middle East war escalation or China-Taiwan conflict) and the resulting negative economic impact could recur and it is possible that it may be prolonged, which could adversely affect the Company's current investment portfolio, make it difficult to determine the value of certain assets in the Company's portfolio or make it difficult for the Company to purchase suitable investments that meet its risk and return criteria. These factors could cause the Company to realize less than expected returns on invested assets, sell investments for a loss or write off or write down investments.

With economic uncertainty, the credit quality and ratings of securities in the Company's portfolio could be adversely affected. The NAIC could potentially apply a lower class code on a security than was originally assigned, which could adversely affect statutory surplus because securities with NAIC class codes 3 through 6 are required to be carried at lower of amortized cost or fair market value for statutory accounting purposes as compared to securities with NAIC class codes of 1 or 2 that are carried at amortized cost.

Because of the risks set forth above, the value of the Company's investment portfolio could decrease, the Company could experience reduced net investment income and the Company could incur realized investment losses, which could have a material adverse effect on its results of operations, financial condition or liquidity.

The concentration of the Company's investment portfolios in any particular single issuer or sector of the economy may have an adverse effect on its financial condition or results of operations.

Negative events or developments affecting any particular single issuer, industry, group of related industries or geographic sector may have an adverse impact on a particular holding or set of holdings. To the extent the Company has concentrated positions, it could have an adverse effect on the Company's results of operations and financial position. The Company's investment guidelines establish concentration limits for its investment portfolios.

The Company's derivative transactions may adversely affect its liquidity and exposure to counterparty credit risk.

The Company holds derivative instruments to hedge and manage risks associated with its business and other risks, for investment portfolio positioning, and for income generation. These derivative instruments might not perform as intended or expected resulting in higher realized losses and unforeseen stresses on liquidity. Market conditions can limit availability of hedging instruments and require the Company to post collateral. The Company's derivative strategies also rely on the performance of counterparties to such derivatives. These counterparties may fail to perform for various reasons resulting in losses on uncollateralized positions.

Interest rates may rise or decline, resulting in a change in the carrying value of the Company's investments or a reduction in its liquidity.

Changes in interest rates (inclusive of credit spreads) affect the carrying value of the Company's investment-grade bonds and returns on the Company's investment-grade bonds and short-term investments. A decline in interest rates reduces the returns available on new investments, thereby negatively impacting the Company's net investment income. Conversely, rising interest rates reduce the market value of existing investments in investment-grade bonds. During periods of declining market interest rates, the Company would be forced to reinvest the cash it receives as interest or return of principal on its investments in lower-yielding high-grade instruments or in lower-credit instruments to maintain comparable returns. Issuers of fixed income securities could also decide to prepay their obligations in order to borrow at lower market rates, which would increase the percentage of the Company's portfolio that the Company would have to reinvest in lower-yielding investments of comparable credit quality or in lower quality investments offering similar yields. In the event that the Company incurs debt on which interest is tied to a floating interest rate, a rise in interest rates could increase the interest expense associated with such debt, resulting in a reduction to the Company's liquidity.

The Company is subject to the types of risks inherent in making alternative investments in private limited partnerships, limited liability companies, commercial mortgages and direct investments in natural resources.

The Company's investments include investments in private limited partnerships, limited liability companies, commercial mortgages and direct investments in natural resources. The Company's investments in these entities are long-term in nature and highly illiquid.

With respect to investments in private limited partnerships, limited liability companies and direct investments in natural resources, the amount and timing of income from these entities tends to be variable as a result of the performance and investment stage of the underlying investments. The timing of distributions from these entities, which depend on particular events relating to the underlying investments as well as the entities' schedules for making distributions and their need for cash, can be difficult to predict. As a result, the amount of income that the Company records from these investments can vary substantially from quarter to quarter. In addition, general volatility in the capital markets and the dislocation of the credit markets may reduce investment income from these types of investments. As of June 30, 2024, the Company had unfunded commitments in private equity partnerships of $2.739 billion, real estate of $2.377 billion, private credit of $3.709 billion, natural resources of $1.250 billion, ($1.215 billion of which is related to energy transition and infrastructure), and other investments of $114 million.

With respect to investments in commercial mortgages, the amount and timing of distributions tends to be more consistent than the investments discussed above; however, they can vary depending on the interest rate environment. If the trend is toward falling interest rates, then the return on investments in commercial mortgages may decrease as a result of prepayments. While in a period of rising interest rates or a worsening economy, returns on mortgage investments may be affected by an increase in defaults.

With respect to investments in private limited partnerships and limited liability companies, the Company is also subject to the risks arising from the fact that the determination of the fair value of these types of investments is inherently subjective. The general partner of each of these partnerships generally reports the change in the fair value of the interests in the partnership on a one quarter lag because of the nature of the underlying assets or liabilities. Since these partnerships' underlying investments consist primarily of assets or liabilities for which there are no quoted prices in active markets for the same or similar assets, the valuation of interests in these partnerships is subject to a higher level of subjectivity than substantially all of the Company's other investments. Each of these general partners is required to determine fair value by the price obtainable for the sale of the interest at the time of determination. Valuations based on unobservable inputs are subject to greater scrutiny and reconsideration from one reporting period to the next, and therefore the changes in the fair value of these investments may be subject to significant fluctuations which could lead to significant decreases in their fair value from one reporting period to the next. Since the Company records its investments in these various entities under the equity method of accounting, any decreases in the valuation of these investments would negatively affect its results of operations.

The valuation of the Company's investments includes methodologies, estimations and assumptions that are subject to differing interpretations and could result in changes to investment valuations that may have a material adverse effect on the Company's results of operations, financial condition or liquidity.

Fixed maturity, equity and short-term investments, which are reported at fair value on the balance sheet, represented the majority of the Company's total cash and invested assets as of December 31, 2023. As required under accounting rules, the Company has categorized these securities into a three-level hierarchy, based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1); the next priority to quoted prices in markets that are not active or inputs that are observable either directly or indirectly, including (i) quoted prices (a) for similar assets or liabilities other than quoted prices in Level 1 or (b) in markets that are not active or (ii) other inputs that can be derived principally from, or corroborated by, observable market data for substantially the full term of the assets or liabilities (Level 2); and the lowest priority to unobservable inputs supported by little or no market activity and that reflect the reporting entity's own assumptions about the exit price, including assumptions that market participants might use in pricing the asset or liability (Level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. At June 30, 2024, approximately 12.5% and 83.6% of these securities represented Level 1 and Level 2, respectively. The Company generally uses a combination of independent pricing services and broker quotes to price its investment securities. However, prices provided by independent pricing services and independent broker quotes can vary widely even for the same security. To the extent that the Company is incorrect in its determination of fair value of its investment securities or its determination that a decline in their value is other-than-temporary, the Company may realize losses that never actually materialize or may fail to recognize losses within the appropriate period.

Rapidly changing and unprecedented credit and equity market conditions could increase the difficulty in valuing certain of the Company's securities and materially impact the valuation of securities as reported within the Company's financial statements and the period-to-period changes in value could vary significantly. Decreases in value may result in an increase in non-cash other-than-temporary impairment charges and may have a material adverse effect on the Company's results of operations, financial condition or liquidity.

The determination of the amount of impairments taken on the Company's investments has a degree of subjectivity and could have a material adverse effect on the Company's results of operations, financial condition or liquidity.

The determination of the amount of impairments taken on the Company's investments is based on the Company's periodic evaluation and assessment of its investments and known and inherent risks associated with the various asset classes. Such evaluations and assessments are revised as conditions change and new information becomes available. Management updates its evaluations regularly and reflects changes in impairments as such evaluations are revised. There can be no assurance that management has accurately assessed the level of impairments reflected in the Company's financial statements. Furthermore, additional impairments may need to be taken in the future. Historical trends may not be indicative of future impairments. For further information on the Company's review of investments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates—Impairment Losses on Investments."

The Company may suffer losses from unfavorable outcomes from litigation and other legal proceedings, which may have a material adverse effect on its results of operations, financial condition or liquidity, and the effects of emerging claim and coverage issues on its business are uncertain.

In the ordinary course of business, the Company is subject to litigation and other legal proceedings as part of the claims process, the outcomes of which are uncertain. The Company maintains reserves for these legal proceedings as part of its reserves for unpaid claims and claim adjustment expenses. The Company also maintains separate reserves for legal proceedings that are not related to the claims process. In the event of an unfavorable outcome in one or more legal matters, the Company's ultimate liability may be in excess of amounts the Company has currently reserved for, and such additional amounts may have a material adverse effect on the Company's results of operations, financial condition or liquidity.

As industry practices and legal, judicial, social, financial, technological and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues may adversely affect the Company's business by either extending coverage beyond the Company's underwriting intent or by increasing the number or size of claims. Examples of emerging claims and coverage issues include:

judicial expansion of policy coverage and the impact of new theories of liability;

plaintiffs targeting property and casualty insurers, including the Company, in purported class action litigation relating to claims-handling and other practices;

claims relating to construction defects, which often present complex coverage and damage valuation questions;

the assertion of "public nuisance" theories of liability, pursuant to which plaintiffs seek to recover money spent to administer public health care programs or to abate hazards to public health and safety; and

claims relating to unanticipated consequences of current or new technologies.

In some instances, these emerging issues may not materialize for some time after the Company has issued the affected insurance policies. As a result, the full extent of liability under the Company's insurance policies may not be known for many years after the policies are issued.

In addition, the potential passage of new legislation designed to expand the right to sue, to remove limitations on recovery, to extend the statutes of limitations or otherwise to repeal or weaken tort reforms could have an adverse impact on the Company's business.

The importance of ESG issues and the Company's rankings on indices regarding ESG issues have become increasingly important to the Company's investors, customers and employees. Failure of the Company to respond to the pressures brought about by such interested parties in a timely and adequate manner could have an adverse effect on the Company's reputation and its ability to issue additional securities, to sell its products and to hire and maintain skilled employees.

The effects of these and other unforeseen emerging claim and coverage issues are extremely hard to predict and could harm the Company's business and have a material adverse effect on the Company's results of operations, financial condition or liquidity.

The Company is exposed to credit risk in certain of its business operations.

In addition to exposure to credit risk related to its investment portfolio, reinsurance recoverables and surety insurance operations discussed elsewhere in this Offering Memorandum, the Company is exposed to credit risk in several other areas of its business operations, including, without limitation, its other credit insurance products (e.g. mortgage, trade credit) and credit risk related to policyholders, managing general agents, delegated underwriting authorities, third-party administrators, and other intermediaries.

A portion of the Company's commercial business is written with large deductible insurance policies. Under some commercial insurance contracts with deductible features, the Company is obligated to pay the claimant the full amount of the claim. The Company is subsequently reimbursed by the contract holder for the deductible amount and is subject to credit risk until such reimbursement is made. Additionally, retrospectively rated policies are also used, primarily for workers compensation coverage, whereby the ultimate premium is determined based on actual loss activity. Although the retrospectively rated feature of the policy substantially reduces insurance risk for the Company, it does introduce credit risk to the Company. The Company's results of operations could be adversely affected if a significant portion of such contract holders failed to reimburse the Company for the deductible amount or the retrospectively rated policyholders failed to pay additional premiums owed.

The Company is exposed to credit risk in its surety operations, where it guarantees to a third party that the Company's customer will satisfy certain performance obligations (for example, a construction contract) or certain financial obligations. If the Company's customer defaults, the Company may suffer losses and be unable to be reimbursed by that customer. In addition, in accordance with industry practice, multiple insurers participate as co-sureties on large surety bonds and the co-surety obligations under these arrangements are typically joint and several. In that context, the Company is exposed to credit risk with respect to its co-sureties.

In accordance with industry practice, when customers purchase insurance policies from the Company through independent agents, brokers, and other third parties authorized to administer claims, the premiums relating to those policies are often paid to the agents, brokers, and other third parties for payment to the Company. In most jurisdictions, the premiums will be deemed to have been paid to the Company whether or not they are actually received by the Company. Consequently, the Company assumes a degree of credit risk associated with amounts due from independent agents, brokers, and other third parties, if they fail to make payment on those claims.

To a large degree, the credit risk the Company faces is a function of the economy. Accordingly, the Company faces a greater risk in an economic downturn. While the Company attempts to manage the risks discussed above through underwriting and investment guidelines, collateral requirements and other oversight mechanisms, the Company's efforts may not be successful. For example, collateral obtained may subsequently have little or no value. As a result, the Company's exposure to the above credit risks could have a material adverse effect on its results of operations, financial condition or liquidity.

Terrorist acts could have a material adverse effect on the Company's business, results of operations, financial condition or liquidity, and the Company's ability to reinsure or manage such risk is limited.

The Terrorism Risk Insurance Program (the "*Program*") established under the Terrorism Risk Insurance Act of 2002, as amended by the Terrorism Risk Insurance Extension Act of 2005 and the Terrorism Risk Insurance Program Reauthorization Acts of 2007, 2015 and 2019 (collectively, the "*Terrorism Acts*"), generally requires all commercial property and casualty insurers writing business in the United States to make terrorism coverage available to commercial policyholders and provides a federal backstop for certified terrorist acts, which result in losses above insurance company deductible amounts. The Terrorism Acts directly apply to the Company's U.S. property and casualty insurance business. In order for a loss to be covered under the Program, the loss must meet certain aggregate industry loss minimums and must be the result of an event that is certified as an act of terrorism by the U.S. Secretary of the Treasury. In calendar years 2020 through 2027, on eligible lines of business, participating insurers are entitled to receive reimbursement for “certified” acts of terrorism from the federal government for 80% of paid losses in excess of the insurer’s deductible, provided the aggregate industry losses exceed $200 million to a maximum industry loss of $100 billion. The deductible for any calendar year is equal to 20% of an insurer’s and its affiliates’ direct premiums earned for covered lines for the preceding calendar year. The Company estimates that the amount that it will have to pay in the context of a “certified” act of terrorism, before the federal backstop under the Program becomes available, is $2.075 billion for 2024. Certain lines of business that the Company writes, including commercial automobile, professional liability (excluding directors and officers), surety, burglary and theft and farmowners multiple-peril are exempted from coverage under the Program. In the case of a war declared by Congress, only workers compensation losses are covered by the Program. The U.S. Secretary of the Treasury may “certify,” for coverage under the Program, acts of terrorism committed by any individual(s), foreign or domestic. Damage outside the United States is not covered except in limited circumstances. The Program is scheduled to remain in effect until December 31, 2027. There can be no assurance that it will be extended beyond that date. In the event that the Program is not extended beyond December 31, 2027 and in the absence of a private reinsurance market for terrorism reinsurance, the Company may be required to accept financial responsibility for losses that it would not otherwise insure unless state insurance departments allow for the non-renewal of business with significant terrorism risk exposure or the exclusion of coverage for terrorism risks under policy renewals. Because the interpretation of the Program is untested, there is substantial uncertainty as to how it will be applied to specific circumstances. It is also possible that future legislative action could change the Program. Further, given the unpredictable frequency and severity of terrorism losses, as well as the limited terrorism coverage in the Company’s own reinsurance program, future losses from acts of terrorism, particularly “unconventional” acts of terrorism involving nuclear, biological, chemical or radiological events, could have a material adverse effect on the Company’s results of operations, financial condition or liquidity in future periods.

Independent of limitations on coverage under the Program, the occurrence of one or more terrorist attacks in the geographic areas the Company serves could result in substantially higher claims under its insurance policies than it has anticipated. Private sector catastrophe reinsurance is extremely limited and generally unavailable for terrorism losses caused by attacks with nuclear, biological, chemical or radiological weapons. Accordingly, the effects of a terrorist attack in the geographic areas the Company serves may result in claims and related losses for which it does not have adequate reinsurance. This would likely cause the Company to increase its loss reserves. Further, the continued threat of terrorism and the occurrence of terrorist attacks, as well as heightened security measures and military action in response to these threats and attacks, may cause significant volatility in global financial markets, disruptions to commerce and reduced economic activity. These consequences could have an adverse effect on the value of the assets in the Company’s investment portfolio. The continued threat of terrorism also could result in increased reinsurance prices and potentially cause the Company to retain more risk than it otherwise would retain if it were able to obtain reinsurance at lower prices. Terrorist attacks also could disrupt the Company’s operation centers and business capabilities generally. As a result, it is possible that any, or a combination of all, of these factors may have a material adverse effect on the Company’s results of operations, financial condition or liquidity.

The property and casualty insurance industry is highly competitive, and the Company may not be able to compete effectively in the future.

The property and casualty insurance industry is highly competitive and has, from time to time, experienced severe price competition. The Company operates globally competing with domestic insurers, including both national insurers and regional insurers, and foreign insurers. Overall, competition is increasing in all of the Company’s businesses, including as a result of increased price transparency. The competitive environment in which the Company operates could be affected by current general economic conditions, which could reduce the volume of business available to the Company as well as to its competitors. In addition, the competitive environment could be affected by changes in customer preferences, such as a possible increase in customer focus on price over other competitive criteria. Over time, this increased focus on price may provide a relative advantage to carriers that have more efficient cost structures and that are better able to assess and price risk and accurately estimate, and price for, claims and claim adjustment expenses. Furthermore, some competitors may have greater financial, marketing or management resources than the Company, or have longer-term business relationships with customers, which may be a significant competitive advantage. If the Company is not able to operate with a competitive cost structure or accurately estimate and price for claims and claim adjustment expenses, the Company’s underwriting margins could be adversely affected over time.

A number of the Company's competitors may offer products at prices and on terms that are not consistent with the Company's economic and underwriting standards in an effort to maintain their business or write new business. The Company's competitive position is based not only on its ability to profitably price its business, but also on product features and quality, scale, customer service, financial strength, claims-paying ratings, credit ratings, e-business capabilities, name recognition and agent and broker compensation. The Company may have difficulty in continuing to compete successfully on any of these bases in the future.

In addition, the advent of driverless cars and technologies that facilitate ride sharing could materially alter the way automobile insurance is marketed, priced and underwritten.

The Company's underwriting results are dependent on its ability to match rate to risk. If the Company's pricing models fail to price risks accurately, its profitability may be adversely affected.

The profitability of the Company's property and casualty business substantially depends on the extent to which its actual claims experience is consistent with the assumptions it uses in pricing its policies. The Company uses automated underwriting tools for many of its property and casualty products, as well as tiered pricing structures to match its premium rates to the risks it insures. If the Company expands its appetite into different markets and products, it will write more policies in markets and geographical areas where it has less data specific to these new markets and accordingly may be more susceptible to error in its models or claims adjustment. If the Company fails to appropriately price the risks it insures, if it fails to change its pricing model to reflect its current experience or if its claims experience is more frequent or severe than its underlying risk assumptions, its profit margins may be negatively affected. To the extent the Company has overpriced risks, new-business growth and retention of its existing business may be adversely affected.

The Company's businesses are heavily regulated, and changes in regulation may reduce its profitability and limit its growth.

The Company is extensively regulated and supervised in the jurisdictions in which it conducts business. This regulatory system is generally designed to protect the interests of policyholders and not necessarily the interests of insurers and investors. This system addresses, among other things:

licensing companies and agents to transact business and authorizing lines of business;

calculating the value of assets to determine compliance with statutory requirements;

mandating certain insurance benefits;

regulating certain premium rates;

reviewing and approving policy forms;

regulating unfair trade and claims practices, including through the imposition of restrictions on marketing and sales practices, distribution arrangements and payment of inducements;

establishing statutory capital and surplus requirements;

approving changes in control of insurance companies;

restricting the payment of dividends and other transactions between affiliates;

establishing assessments and surcharges for guaranty funds, second-injury funds and other mandatory pooling arrangements;

requiring insurers to dividend to policyholders any excess profits;

regulating the types, amounts and valuation of investments; and

regulating a variety of other financial and non-financial components of an insurer's business.

The state insurance regulatory framework is subject to ongoing oversight by state legislatures and Congress, and some state legislatures have considered legislation or enacted laws and state insurance departments have adopted regulations that may alter or increase state authority to regulate insurance companies and insurance holding companies. Further, the NAIC and state insurance regulators continually reexamine existing laws and regulations, including specifically focusing on modifications to statutory accounting principles, holding company regulations, initiatives to address climate risks in the insurance sector, considerations related to private equity ownership of insurers, consumer privacy protection, emerging artificial intelligence ("*AI*") and external consumer data and information sources ("*ECDIS*"), interpretations of existing laws and the development of new laws and regulations.

In a time of financial uncertainty or a prolonged economic downturn, regulators may choose to adopt more restrictive insurance laws and regulations. For example, insurance regulators may choose to restrict the ability of Insurance Subsidiaries to make payments to their parent companies or reject rate increases due to the economic environment.

The Company's ability to change its rates in response to competition or to increased costs depends, in part, on whether the applicable state insurance rate regulation laws require the prior approval of a rate increase by or notification to the applicable insurance regulators either before or after a rate increase is imposed.

In 2010, the Dodd-Frank Act established a Federal Insurance Office (the "*FIO*") within the U.S. Department of the Treasury. The FIO has no regulatory authority, but, among other authorities, is empowered to gather data and information regarding the insurance industry and insurance regulation. From time to time, the FIO issues reports making recommendations to Congress and insurance regulators to make changes to regulatory authorities, which regulators and/or Congress may choose to act on. Further, the Dodd-Frank Act created the Financial Stability Oversight Council ("*FSOC*"), which has the authority to designate certain non-bank financial companies (including insurance companies) whose failure or activities could threaten U.S. financial stability for heightened supervision by the Federal Reserve. In addition to its designation authority, FSOC also has the authority to make recommendations to financial regulators (including state insurance regulators) to implement regulatory changes to address risks to U.S. financial stability and has adopted an "activities-based approach" that prioritizes evaluation of activities that could pose a threat to U.S. financial stability

While there are currently no non-bank financial companies designated by FSOC, if the Company were to be designated in the future by FSOC for heightened Federal Reserve supervision, or FSOC were to propose recommendations that the Company's regulators decided to enact, such actions could impact the Company's regulatory requirements.

Compliance with applicable laws and regulations is time consuming and personnel-intensive, and changes to these laws and regulations may materially increase the Company's direct and indirect compliance and other expenses of doing business, thus having a material adverse effect on its financial condition and results of operations. If there were to be changes to statutory or regulatory requirements, the Company may be unable to fully comply with or maintain all required insurance licenses and approvals. Regulatory authorities have relatively broad discretion to grant, renew and revoke licenses and approvals. If the Company does not have all requisite licenses and approvals or does not comply with applicable statutory and regulatory requirements, the regulatory authorities could preclude or temporarily suspend the Company from carrying on some or all of its insurance activities or monetarily penalize it, which could have a material adverse effect on its results of operations, financial condition or liquidity. The Company cannot predict with certainty the effect any proposed or future legislation or regulatory initiatives may have on the conduct of its business.

Changes in legislation, regulation and government policy may have a material adverse effect on the Company's business in the future.

Federal and state laws, regulations and policies that are adopted or amended may be more restrictive than those currently in force and may result in lower revenues or higher costs of compliance, which could have a material adverse effect on the Company's results of operations and limit its growth.

New laws or regulations, or different interpretations of existing laws or regulations, including unexpected policy changes, applicable to the Company's income, operations, assets or another aspect of the Company's business, could have a material adverse impact on the Company's earnings, cash flow, financial condition and results of operations. For example, some jurisdictions are considering legislation to monitor insurance company investments in fossil fuel companies and underwriting in respect of fossil fuel businesses. This information could be used to determine a company's exposure to climate change risk as a precursor to other action.

The upcoming elections in the United States could result in significant changes in, and uncertainty with respect to, legislation, regulation and government policy. Additionally, there is potential for civil unrest before and after the U.S. elections, which may have impacts on the broader U.S. economy, including impacts on the insurance industry and the Company's operations.

Legislative and regulatory proposals being discussed that could have a material impact on the Company include, but are not limited to, reform of the U.S. federal tax code, including possible increases to the corporate rate, and further changes to current U.S. taxation of the Company's earnings and profits held offshore; continued escalation in use of tariff and non-tariff barriers, sanctions and foreign direct investment restrictions by major economies; changes to financial regulation; environmental, technology and privacy regulation, and antitrust enforcement. Any such changes may make it more difficult and/or more expensive for the Company to offer the types of services the Company currently offers to its customers.

Further, future actions or inactions of the U.S. government, including a failure to increase the government debt limit or a shutdown of the federal government, could increase the actual or perceived risk that the United States may not ultimately pay its obligations when due and may disrupt financial markets.

The amount of statutory capital that the Company has and must hold to maintain its financial strength and credit ratings and meet other requirements can vary significantly from time to time and is sensitive to a number of factors outside of the Company's control.

Accounting standards and statutory capital and reserve requirements for the Insurance Subsidiaries are prescribed by the applicable insurance regulators and the NAIC. Insurance regulators have established regulations that provide minimum capitalization requirements based on risk-based capital ("*RBC*") formulas for insurance companies. The RBC formula for property and casualty companies adjusts statutory surplus levels for certain underwriting, asset, credit and off-balance sheet risks.

In any particular year, statutory surplus amounts and RBC ratios may increase or decrease depending on a variety of factors—the amount of statutory income or losses generated by the Insurance Subsidiaries (which itself is sensitive to equity market and credit market conditions), the amount of additional capital the Insurance Subsidiaries must hold to support business growth, changes in equity market levels, the value of certain fixed-income and equity securities in the Company's investment portfolio, the value of certain derivative instruments, changes in interest rates and foreign currency exchange rates, as well as changes to the NAIC RBC formulas. Most of these factors are outside of the Company's control. The Company's financial strength ratings are significantly influenced by the Insurance Subsidiaries' statutory surplus amounts and RBC ratios. In addition, the NAIC has developed a Group Capital Calculation for U.S. insurance groups. Even though it is not intended to be a prescribed capital requirement, this calculation could have an impact on the Company's group capital or the insurance that the Company writes. Due to all of these factors, projecting statutory capital and the related RBC ratios is complex.

Changes to methods of marketing and underwriting in certain areas are subject to regulatorily-imposed restrictions.

With respect to personal lines, the Company's ability to change its methods of marketing and underwriting in certain areas, such as in California and in the coastal areas of Florida and New York, are subject to state-imposed restrictions. These restrictions include restrictions on the use of named storm deductibles, restrictions on the use of underwriting guidelines that use an insured's geographic area as a factor, restrictions on exiting certain lines of business based on geographic or other considerations without notice to or approval by the state insurance department and restrictions on the ability to write private passenger automobile insurance unless an insurer also writes homeowners coverage in the state. As a result, it may be more difficult for the Company to significantly reduce its exposure in these areas.

Particularly with respect to the U.S. personal lines business, the Company is seeing new insurance regulations, various legislative and regulatory challenges, political initiatives, and other societal pressures that seek to limit or prohibit the use of specific rating factors in insurance policy underwriting and pricing. In the Company's view, these efforts have the potential to significantly undermine the effectiveness of risk-based pricing. Certain states, including California, have placed limitations on the use of AI and ECDIS by the insurance industry stemming from allegations of racial discrimination in marketing, rating, underwriting and claims practices by insurance companies. If the Company is unable to use rating factors that have been shown empirically to be highly predictive of risk, the Company may not be able to as accurately match insurance rates to the applicable risks, which may significantly adversely impact the Company's insurance operating results.

Compliance with new AI laws, requirements and regulations may result in (1) changes to the Company's computer systems resulting in higher costs, (2) new limitations or constraints on the Company's business models, and (3) the development of new administrative processes. Compliance with new AI laws may also impose further restrictions on the Company's use of customer identifiable data. Noncompliance with any AI laws could result in increased regulatory and other governmental investigations and proceedings, diverting management's time and attention from other business, and could have a material adverse effect on the Company's business, reputation, brand and results of operations, including: material fines and penalties; compensatory, special, punitive and statutory damages; consent orders regarding the Company's AI practices; adverse actions against the Company's licenses to do business; and injunctive relief.

Mandated market mechanisms may require the Company to underwrite policies with a higher risk of loss and assessments and other surcharges for guaranty funds, and second-injury funds may reduce its profitability.

The Company is often required to participate directly or indirectly in mandatory shared market mechanisms as a condition of its licenses to do business in certain U.S. states. These markets, which are commonly referred to as "residual markets" or "involuntary markets," generally consist of risks considered to be undesirable from a standard or routine underwriting perspective. Underwriting performance related to assigned risk plans, a form of mandated market mechanism, is typically adverse and, as a result, the Company is required to underwrite some policies with a higher risk of loss than it would normally accept.

Each state dictates the level of insurance coverage that is mandatorily assigned to participating insurers within these markets. Typically, the amount of involuntary policies the Company is obligated to write in a given year is based on its historical market share of all voluntary policies written within that state for particular lines of business. Liabilities for guaranty fund and other insurance-related assessments are accrued when an assessment is probable, when it can be reasonably estimated, and when the event obligating the entity to pay an imposed or probable assessment has occurred (based on future premiums for property and casualty insurance lines of business). The related asset is limited to the amount that is determined based on future premium collections or policy surcharges from policies in force. Current Guaranty Fund Association assessments are expected to be paid over one year while loss-based assessments are expected to be paid over a period ranging from one year to the life expectancy of certain workers compensation claimants.

In addition, virtually all states require insurers licensed to do business in their state to bear a portion of the loss suffered by some insureds as the result of impaired or insolvent insurance companies. These guaranty funds are funded by assessments. The effect of these assessments or changes in them could reduce the Company's profitability in any given period or limit its ability to grow its business. The Company cannot predict the impact, if any, that these matters may have on its financial condition, results of operations or liquidity or on the property and casualty insurance industry.

The Company may not maintain favorable financial strength ratings, which could adversely affect its ability to conduct business.

The Company may not maintain favorable financial strength ratings, which could adversely affect its ability to conduct business. Third-party rating agencies assess and rate the financial strength, including claims-paying ability, of insurers and reinsurers. These ratings are based upon criteria established by the rating agencies and are subject to revision at any time at the sole discretion of the agencies. Some of the criteria relate to general economic conditions and other circumstances outside the rated company's control. These financial strength ratings are used by policyholders, as well as independent agents and brokers, as an important means of assessing the suitability of insurers as business counterparties and have become an increasingly important factor in establishing the competitive position of insurance companies. These financial strength ratings do not refer to the Company's ability to meet non-insurance obligations and are not a recommendation to purchase or discontinue any policy issued by the Company or to buy, hold or sell its securities. The principal Insurance Subsidiaries' current financial strength ratings are "A" (the third highest of 16 ratings, stable outlook) from A.M. Best, "A2" (the sixth highest of 21 ratings, stable outlook) from Moody's and "A" (the sixth highest of 21 ratings, stable outlook) from Standard & Poor's. Periodically, the rating agencies evaluate the Company to confirm that it continues to meet the criteria of the ratings previously assigned to it. A downgrade or withdrawal of the Company's financial strength ratings could limit or prevent the Insurance Subsidiaries from writing new insurance policies or renewing existing insurance policies, which would have a material adverse effect on its results of operations, financial condition or liquidity. These ratings reflect the agencies' opinions as to the financial strength, operating performance and ability to meet obligations to policyholders of the Insurance Subsidiaries but are not ratings of the P-Caps offered hereby (or the Senior Notes, if and when issued and sold to the Trust).

The Insurance Subsidiaries are also parties to an intercompany reinsurance pooling arrangement that allows them to obtain a uniform rating from A.M. Best. If one or a few of the Insurance Subsidiaries experience a deterioration in its financial condition, the uniform rating of the entire pool could suffer a downgrade.

In reaction to any difficulties that may arise in the insurance industry or financial markets, it is possible that the external rating agencies: (1) could heighten the level of scrutiny that they apply to insurance institutions; (2) could increase the frequency and scope of their reviews; and (3) could adjust upward the capital and other requirements employed in their models for maintenance of certain rating levels.

The Company cannot predict what actions rating agencies may take, or what actions it may take in response to the actions of rating agencies, which could adversely affect the Company's business. As with other companies in the financial services industry, the Company's ratings could be downgraded at any time and without any notices by any rating agency, which could have a material adverse effect on the Company's results of operations, financial condition or liquidity.

Inflation, including repair costs and medical inflation, could have a material adverse effect on the Company's results.

Inflation has stabilized after remaining elevated in recent years and resulted in increased loss costs to the Company. The effects of inflation could cause the severity of claims from catastrophes or other events to rise in the future. The Company's reserves for claims and claim adjustment expenses include assumptions about future payments for settlement of claims and claims handling expenses, such as repair costs, medical expenses and litigation costs. To the extent that actual inflation increases significantly more than the Company's current assumptions, the Company may be required to increase its loss reserves with a corresponding reduction in its net income in the period in which the deficiency is identified.

Cyclicality of the property and casualty insurance industry may cause fluctuations in the Company's results of operations, financial condition or liquidity.

The property and casualty insurance business is cyclical in nature and has historically been characterized by periods of intense price competition, which could have an adverse effect on the Company's results of operations and financial condition. Periods of intense price competition historically have alternated with periods when shortages of underwriting capacity have permitted attractive premium levels. Any significant decrease in the premium rates the Company is able to charge for property and casualty insurance would adversely affect its results.

Factors that affect loss cost trends in automobile underwriting include inflation in the cost of automobile repairs, medical care, litigation of liability claims, improved automobile safety features, legislative changes and general economic conditions. Factors that affect loss costs trends in property underwriting include inflation in the cost of building materials and labor costs and demand caused by weather-related catastrophes. Factors that affect loss cost trends in workers compensation and liability insurance underwriting include inflation in the cost of medical care, litigation of liability claims and general economic conditions. Property and casualty insurers, including the Company, are often unable to increase premium rates until sometime after the costs associated with the coverage have increased, primarily as a result of insurance regulation and laws. Therefore, in a period of increasing loss costs, profit margins decline.

The Company expects to continue to experience the effects of this cyclicality which, during down periods, could have a material adverse effect on its results of operations, financial condition or liquidity.

The Company's international business faces political, legal, operational and other risks that could materially adversely affect its results of operations.

The Company's international operations face political, legal, operational and other risks not encountered in the Company's U.S. operations. The Company faces the risk of discriminatory regulation, nationalization or expropriation of assets, price controls and exchange controls or other restrictions that could prevent the Company from transferring funds from these operations out of the countries in which they operate or converting local currencies it holds into U.S. dollars or other currencies. In addition, the Company relies on local sales forces in these countries and may encounter labor problems resulting from workers associations and trade unions in some countries. Also, in some markets, the Company has invested as part of a joint venture with a local counterparty. Because the Company's governance rights may be limited, it may not have control over the ability of the joint venture to make certain decisions or mitigate risks it faces, and significant disagreements with a joint venture counterparty may adversely affect the Company's investment.

The Company's foreign insurance operations generally write policies denominated in local currencies and in large part invest in local currencies. Although investing in local currencies limits the effect of currency exchange rate fluctuation on local operating results, fluctuations in such rates affect the translation of these results into the Company's financial statements and could have a material adverse effect on the Company's business, financial condition or results of operations.

The European Union's ("*EU*") and UK's capital adequacy and risk management regulations, called Solvency II, apply to the Company's businesses in the EU and UK. Under Solvency II, the direct or indirect parent of an EU entity (including a U.S. parent company) could be subject to certain Solvency II requirements if the regulator determines that the subsidiary's capital position is dependent on an affiliated or parent company and the affiliated or parent company is not already subject to regulations deemed equivalent to Solvency II. Effective September 22, 2017, the U.S. and EU entered into an agreement providing that Solvency II would not be applied to a U.S.-based worldwide insurance group if the U.S. adopted a group capital assessment within 5 years. Such capital assessment was adopted by the NAIC in 2021. Moreover, changes to Solvency II, as well as requirements under the EU's Insurance Recovery & Resolution Directive ("*IRRD*"), will impact the regulation of the Company within the EU and UK and will likely require the Company's EU operations to submit a liquidity plan under Solvency II and a recovery plan under IRRD.

In addition, regulators in countries where the Company has operations are working with the International Association of Insurance Supervisors ("*IAIS*") (and in the United States, with the NAIC) to develop a Common Framework for the Supervision of Internationally Active Insurance Groups ("*ComFrame*"), which is intended to establish a set of international supervisory requirements focusing on the effective group-wide supervision of internationally active insurance groups ("*IAIGs*"). The IAIS adopted ComFrame in November 2019.

The IAIS also has been developing and field testing an insurance capital standard ("*ICS*") intended to be a prescribed capital standard applicable to IAIGs. Under the IAIS definition, the Company would be identified as an IAIG. The IAIS adopted a so-called reference ICS in November 2019. The reference ICS will be used for reporting to an IAIG's group-wide supervisor and supervisory colleges during a five-year monitoring period. Final adoption of the standard as a prescribed capital standard is expected in late 2024, when it will be included as part of ComFrame. The NAIC has stated that state regulators will not be implementing the ICS, but instead is developing an aggregation method for assessing an insurance group's solvency capital. In April 2022, the NAIC adopted a group capital calculation ("*GCC*") template that all insurance company holding systems must annually file with its lead state commissioner. The IAIS will determine in 2024 whether the aggregation method provides comparable outcomes to the ICS based on as-yet undefined principles and criteria. Consequently, it is not yet known what impact the aggregation method will have on the Company, whether the aggregation method will be deemed comparable to the ICS, or what impact a global ICS included as part of ComFrame would have on the Company.

The IAIS in conjunction with the Financial Stability Board ("*FSB*") created by the G-20 also developed a methodology for identifying insurance companies that pose a systemic risk to the global economy, known as "global systemically important insurers" ("*G-SIIs*"). A G-SII designation comes with an international expectation that a company's home supervisor will apply certain heightened regulatory standards, including those relating to capital. In 2013, the FSB named the insurers that were designated as G-SIIs and the Company was not one of them. In 2019, the IAIS adopted a 'holistic framework' for assessing systemic risk, which is intended to replace the primarily entity-based designation system with one focused on activities that might pose systemic risk to the global financial system. As part of the adoption of the holistic framework, the IAIS suspended G-SII designations. In 2022, the FSB reevaluated whether such suspension was appropriate, discontinued the use of G-SII designation, and endorsed the IAIS' holistic framework. In November 2025, the FSB will again review its experiences with the process of assessing and mitigating systemic risk based on the holistic framework. If, in the future, the FSB deems it appropriate to reinstate G-SII designations, the FSB may in the future conclude that the Company is a G-SII. The implementation of the IAIS' holistic framework, or any future designation as a G-SII, could potentially lead to international supervisors making regulatory recommendations, that, if adopted by the Company's insurance supervisors, could result in heightened financial regulation and could impact requirements regarding the Company's liquidity, leverage, and capital requirements, as well as its business and investment conduct.

Furthermore, the Company's international businesses are focused on emerging markets, which can be subject to severe economic and financial disruptions, including significant devaluations of their currencies and low or negative growth rates in economies.

A new pandemic could have a material adverse effect on the Company's results of operations.

Although the impact of COVID-19 has lessened in recent times, a new pandemic (including one caused by any new variant of COVID-19) could have a material adverse effect on the Company. Possible effects on the Company's business and operations include:

disruptions to business operations which could reduce demand for insurance;

increased claims related to general liability, workers compensation, event cancellation coverage, business interruption and other insurance, and litigation relating thereto; and

disruption of the financial markets and potential changes to fiscal or monetary policies resulting in reductions in the value of the Company's investment portfolio.

The Company's surety products expose it to potentially high severity losses.

The Company provides surety products through its Global Surety operating unit, a part of its Global Risk Solutions business. The majority of its surety obligations are performance-based guarantees. This business exposes the Company to infrequent, but potentially high severity, losses. The Company has customers with bonded exposure in excess of $100 million. The deterioration of one or more of these large customers could have a material adverse effect on the Company's results of operations, financial condition or liquidity.

The Company's ability to compete effectively with respect to certain surety products is dependent on the underwriting limitations assigned to several of the Insurance Subsidiaries.

Global Surety's ability to attract large contract business depends on the underwriting limitations assigned to several of the Insurance Subsidiaries. Federal law requires a contractor awarded a federal construction contract to supply a surety bond issued by a company holding a U.S. Treasury Department certificate of authority. Upon review of each company's financial information, the Treasury Department determines the underwriting limitation for each company. The underwriting limitation represents 10% of the Company's paid-in capital and surplus less certain deductions. Pursuant to Treasury Department regulations, a company may not issue a single bond that exceeds its underwriting limitation absent co-insurance or reinsurance for the amount in excess of its underwriting limitation. A surety carrier that writes business through a company with a high underwriting limitation has a competitive advantage in the surety marketplace. A company with a high underwriting limitation can write large surety bonds on its own financial strength without the need for co-insurance or reinsurance. Agents and surety bond customers view a high underwriting limitation as a sign of financial strength and stability when assessing a potential surety relationship. If the Insurance Subsidiaries were no longer qualified for U.S. Treasury Department certificates of authority or if their underwriting limitations were substantially reduced, that could have a material adverse effect on the Company's results of operations, financial condition or liquidity.

Loss of or significant restriction on the use of credit scoring, education and occupation data in the pricing and underwriting of the Company's products could reduce its future profitability.

The Company uses credit scoring, education and occupation data as factors in pricing decisions where permitted under state law. Some consumer groups and regulators have questioned whether the use of credit scoring, education and occupation data unfairly discriminates against lower-income, minority and elderly consumers and are calling for the prohibition of or restriction on the use of such factors in underwriting and pricing. Enactment in a large number of states of laws or regulations that significantly curtail the use of credit scoring, education or occupation data in the underwriting process could reduce the Company's future profitability.

The Company could be adversely affected if its controls to ensure compliance with guidelines, policies and legal and regulatory standards are not effective.

The Company's business is highly dependent on the Company's ability to engage on a daily basis in a large number of insurance underwriting, claim processing and investment activities, many of which are highly complex. These activities often are subject to internal guidelines and policies, as well as legal and regulatory standards. A control system, no matter how well designed and operated, can provide only reasonable assurance that the control system's objectives will be met. If the Company's controls are not effective, it could lead to financial loss, unanticipated risk exposure (including underwriting, credit and investment risk) or damage to the Company's reputation.

Potential changes in federal or state tax laws could adversely affect the Company's business, results of operations, financial condition or liquidity.

The Company's investment portfolio has benefited from tax exemptions and certain other tax laws, including those governing dividends-received deductions and tax credits. Whether in connection with crisis management, deficit reduction or various types of fundamental tax reform, federal and state tax legislation could be enacted that would result in higher taxes on insurance companies and their policyholders, lessen or eliminate some or all of the tax advantages currently benefiting the Company and adversely affect the value of its investment portfolio.

The Company's participation in a securities lending program subjects it to potential liquidity and other risks.

The Company has engaged in securities lending activities from which it generates net investment income from the lending of certain of its investments to other institutions. The Company generally obtains cash or securities as collateral from borrowers of these securities in an amount equal to at least 102% of the fair value of the loaned securities plus accrued interest, which is obtained at the inception of a loan and maintained at a level greater than or equal to 102% for the duration of the loan. At June 30, 2024, the Company had no loans outstanding at the program level where the loan collateral was less than 102% of the fair value of such loaned securities. This collateral is held by a third-party custodian, and the Company has the right to access the collateral only in the event that the institution borrowing the Company's securities is in default under the lending agreement. The loaned securities remain the Company's recorded asset. The Company does not recognize the receipt of securities collateral held by the third-party custodian or the obligation to return the securities collateral; however, the Company does recognize the receipt of cash collateral and the corresponding obligation to return the cash collateral. The cash collateral is held in a segregated account with the agent bank and is re-invested according to preset reinvestment guidelines.

Returns of loaned securities by the third parties would require the Company to return any collateral associated with such loaned securities. In some cases, the maturity of the securities held as invested collateral (i.e., securities that the Company has purchased with cash received from the third parties) may exceed the term of the related securities on loan and the estimated fair value may fall below the amount of cash received as collateral and invested. If the Company is required to return significant amounts of cash collateral on short notice and it is forced to sell securities to meet the return obligation, the Company may have difficulty selling such collateral that is invested in securities in a timely manner, be forced to sell securities in a volatile or illiquid market for less than the Company otherwise would have been able to realize under normal market conditions, or both. In addition, under stressful capital market and economic conditions, such as those conditions the Company experienced during 2008 and 2009, liquidity broadly deteriorates, which may further restrict the Company's ability to loan securities and to meet its obligations under these transactions. If the Company decreases the amount of its securities lending activities over time, the amount of investment income generated by these activities will also likely decline.

The Company's business success and profitability depend, in part, on effective utilization of information technology systems and its implementation of technology innovations.

The Company depends on information technology systems for conducting business and processing insurance claims. Critical elements of the Company's business operations are dependent on the continued maintenance and availability of these existing technology systems. The Company's continued long-term success requires that it remain innovative and select strategic technology initiatives, in a cost and resource efficient manner, to drive down overall expenses and improve the value to the business.

The Company engages in a variety of technology system development projects. These types of strategic initiatives are long-term in nature and may be affected by a variety of unknown business and technology related factors. As a result, the potential associated expenses relating to these projects may adversely impact the Company's expense ratios if they exceed its current estimates. Further, the technology system development process may not deliver the benefits and efficiencies that the Company expected during the initial stages of the projects.

The Company relies on a variety of software license agreements with third-party vendors. The Company expects to continue to rely on agreements with such third-party vendors for the provision of necessary software and information technology services.

The Company's ability to provide competitive services to agents and brokers, as well as new and existing policyholders, in a cost-effective manner and its ability to implement strategic initiatives could be adversely affected by an increase in costs for these projects. The Company may not be able to meet its information technology requirements in a manner or on terms and conditions, including costs, as favorable as those it has previously received, which could have a material adverse effect on its results of operations, financial condition or liquidity.

Technological changes and advances relating to the adoption and use of AI, machine learning and ECDIS may present additional challenges for the Company. The Company's competitors (both traditional and non-traditional) may use such tools in claims, underwriting, distribution and other areas to provide better products and services to their customers. The use and implementation of AI, machine learning and ECDIS must also be done in compliance with legal and regulatory frameworks that are rapidly evolving and may require changes to systems and processes and increased reliance on third parties engaged by the Company. If the Company is unable to implement and deploy the use of these technologies in a cost effective and competitive manner and in compliance with regulatory requirements then the Company's business results and competitive position may be negatively impacted.

The Company faces substantial legal and operational risks in complying with privacy laws and regulations governing the privacy and protection of personal information.

The Company's businesses are subject to complex and evolving laws and regulations, both within and outside the U.S., governing the privacy and protection of personal information of individuals. The protected parties can include:

- the Company's clients and customers, and prospective clients and customers;
- clients and customers of the Company's clients and customers;
- claimants, third-party claimants, and witnesses;
- brokers, agents, and third-party administrators;
- employees and prospective employees; and
- employees of the Company's vendors, counterparties and other external parties.

Taking steps to ensure that the Company's collection, use, transfer and storage of personal information comply with all applicable laws and regulations in all relevant jurisdictions, including where the laws of different jurisdictions are in conflict, can:

- increase the Company's compliance and operating costs;
- hinder the development of new products or services, curtail the offering of existing products or services, or affect how products and services are offered to clients and customers;
- demand significant oversight by the Company's management; and
- require the Company to structure its businesses, operations and systems in less efficient ways.

Furthermore, the Company cannot guarantee that all its clients and customers, vendors, counterparties and other external parties have appropriate controls in place to protect the confidentiality of the information exchanged between them and the Company, particularly where information is transmitted by electronic means. The Company could be exposed to litigation or regulatory fines, penalties or other sanctions if personal, confidential or proprietary information of clients, customers, employees or others were to be mishandled or misused, such as situations where such information is:

- erroneously provided to parties who are not permitted to have the information;
- intercepted or otherwise compromised by third parties;
- used for a purpose not previously disclosed; or
- transferred out of the country without meeting regulatory requirements.

Concerns regarding the effectiveness of the Company's measures to safeguard personal information, or even the perception that those measures are inadequate, could cause the Company to lose existing or potential clients and customers, and thereby reduce the Company's revenues. Any failure or perceived failure by the Company to comply with applicable privacy or data protection laws and regulations may subject it to inquiries, examinations and investigations that could result in requirements to modify or cease certain operations or practices, significant liabilities or regulatory fines, penalties or other sanctions. Any of these could damage the Company's reputation and otherwise adversely affect its businesses.

Regulations with a significant impact on the Company's operations include the EU General Data Protection Regulation, or "GDPR," the recently enacted California Consumer Privacy Act, or "CCPA" and its amendment the California Privacy Rights Act or "CPRA", and the New York Department of Financial Services Part 500 cybersecurity requirements for financial services companies. GDPR, which became effective in May 2018 for EU data subjects, imposes numerous technical and operational obligations on processors and controllers of personal data and provides numerous protections for individuals in the EU, including but not limited to notification requirements for data breaches, the right to access personal data, and the right to be forgotten. GDPR provides data protection authorities with new enforcement powers (including the ability to restrict processing activities and impose fines of up to €20 million or 4% of an organization's total worldwide annual turnover for the preceding financial year, whichever is higher). Other countries have enacted, or are considering enacting, legislation that is similar in scope to GDPR. The California Consumer Privacy Act became effective on January 1, 2020 and requires companies that process information on California residents to make new disclosures to consumers about their data collection, use and sharing practices, provide consumers with rights to know and delete information relating to them and allow consumers to opt out of certain data sharing with third parties. The California Privacy Rights Act (effective January 1, 2023) extends these rights by allowing California residents the right to correct information and to opt-out of certain uses of personal data. The New York Department of Financial Services Part 500 cybersecurity requirements, which became effective in March 2017, focus on minimum standards for cybersecurity programs and empowers the New York Department of Financial Services to issue fines for noncompliance. Similar standards are set forth in the NAIC's Insurance Data Security Model Law, which has to date been adopted by at least 22 U.S. states. Compliance with cybersecurity and privacy laws and regulations requires ongoing investment in systems, policies and personnel and will continue to impact the Company's business in the future by increasing the Company's legal, operational and compliance costs and reduce its profitability. In addition, while the Company has taken steps to comply with data privacy laws, the Company cannot guarantee that its efforts will meet the evolving standards imposed by data protection authorities.

In addition to the existing framework of data privacy laws and regulations, the U.S. Congress, U.S. state legislatures and many states and countries outside the U.S. are considering new privacy and security requirements that would apply to the Company's business. Compliance with new privacy and security laws, requirements and regulations may result in material cost increases due to necessary systems changes, new limitations or constraints on the Company's business models, the development of new administrative processes, and the effects of potential noncompliance by the Company and its business associates. They also may impose further restrictions on the Company's collection, storage, disclosure and use of customer identifiable data. Noncompliance with any privacy and data security laws could result in increased regulatory and other governmental investigations and proceedings, diverting management's time and attention from other business, and could have a material adverse effect on the Company's business, reputation, brand and results of operations, including: material fines and penalties; compensatory, special, punitive and statutory damages; consent orders regarding the Company's privacy and security practices; adverse actions against the Company's licenses to do business; and injunctive relief.

If the Company experiences data breaches, cyberattacks or other difficulties with technology or data security, its ability to conduct its business could be negatively affected.

While technology can streamline many business processes and ultimately reduce the cost of operations, technology initiatives present certain risks. The Company uses computer systems, including its automated underwriting platforms, to store, retrieve, evaluate and utilize customer and company data and information. The Company's information technology and telecommunications systems, in turn, interface with and rely upon third-party information networks and systems. The Company's business is highly dependent on the availability, speed and reliability of these networks and systems to perform necessary business functions, such as providing new-business quotes, processing new and renewal business, making changes to existing policies, filing and paying claims, and providing customer support.

The information technology systems and the networks on which the Company relies may be vulnerable to physical or electronic intrusions, viruses or other cybersecurity threats and attacks and similar disruptions, particularly in light of the growing frequency and sophistication of malicious efforts to infiltrate private computer networks. The information that these systems and networks store and protect includes non-public personal information of the

Company's policyholders and claimants which could include names, addresses, information on insured assets, business information, and banking information, all of which pose a target for malicious actors. In addition, these threat actors have become better organized and better funded than they were in previous years with imposing infrastructures and capabilities and possibly include organized crime groups. However, with the rise in computer automation used in hacking even small scale attackers have expanded their attacks. A shut-down of, or inability to access, one or more of the Company's facilities, a power outage or a disruption of one or more of these information technology, telecommunications or other systems or networks could significantly impair the Company's ability to perform those functions on a timely basis, which could hurt the Company's business and the Company's relationships with its policyholders, agents and brokers. Computer viruses, cyberattacks, data breaches and other external hazards and unauthorized access to or misuse (including by employees and other authorized persons) of personal or confidential data and information collected, used or stored by the Company could expose such data or the information technology systems and the networks on which the Company relies to unauthorized persons or to the public. Furthermore, certain of the Company's businesses have access to sensitive or personal data or information that is subject to laws and regulations enacted by U.S. federal and state governments, the European Union or other jurisdictions relating to breaches of such information. For instance, the CCPA provides a new private right of action for data breaches.

The Company devotes significant resources to maintain and regularly upgrade its systems and processes to protect against, detect, prevent, respond to and mitigate cybersecurity incidents, as well as to organizational training for employees to develop an understanding of cybersecurity risks and threats. However, the Company cannot guarantee it can prevent material security breaches, theft, modification or loss of data, employee malfeasance and additional known and unknown threats, and the Company's insurance may not protect the Company against related damages. Such incidents could result in reputational harm, private consumer (including class action), business partner, or securities litigation and governmental investigations and proceedings, any of which could result in the Company's exposure to material civil or criminal liability. Third parties to whom the Company outsources certain of its functions, including, but not limited to, third-party service providers, are also subject to security breaches, theft, modification or loss of data, employee malfeasance and additional known and unknown threats, along with the other risks outlined above.

These increased risks, and expanding regulatory requirements regarding data security, could expose the Company to data loss, disruption of service, monetary and reputational damage, capital investments and other expenditures required to remedy incidents and prevent future ones, litigation and significant increases in compliance costs. As a result, the Company's ability to conduct its business and its results of operations might be adversely affected.

In the event of a disaster, the Company's business continuity plan may not be sufficient, which could have a material adverse effect on the Company's results of operations, financial condition or liquidity.

The Company's infrastructure supports a combination of local and remote recovery solutions for business resumption in the event of a disaster. In the event of either the destruction of any of the Company's office buildings or the inability to access any of those buildings, the Company's business recovery plan provides for the Company's employees to perform their work functions by remote access from an employee's home or by relocation of employees to the Company's other offices. However, in the event of a full scale local or regional disaster, the Company's business recovery plan may be inadequate, and the Company's employees, including sales representatives, may be unable to carry out their work, which could have a material adverse effect on the Company's results of operations, financial condition or liquidity.

Acquisitions and integration of acquired businesses may result in operating difficulties and other unintended consequences while divestitures may result in operating distractions and unexpected consequences.

The Company will selectively investigate and pursue acquisition opportunities if it believes that such opportunities are consistent with the Company's long-term objectives and that the potential rewards exceed the risks. The process of integrating an acquired company or business can be complex and costly, however, and may create unforeseen operating difficulties and expenditures. For example, acquisitions may present significant risks, including:

the potential disruption of the Company's ongoing business;

- the reduction in cash available for operations and other uses and the potential dilutive issuance of equity securities or the incurrence of debt;

- the ineffective integration of underwriting, claims handling and actuarial practices and systems;

- the increase in the inherent uncertainty of reserve estimates for a period of time, until stable trends re-establish themselves within the combined organization, as past trends (that were a function of past products, past claims handling procedures, past claims departments and past legal and other experts) may not repeat themselves;

- the diversion of management time and resources to acquisition integration challenges;

- the loss of key employees; and

- the cultural challenges associated with integrating employees.

There is no guarantee that any businesses acquired in the future will be successfully integrated, and the ineffective integration of the Company's businesses and processes may result in substantial costs or delays and adversely affect the Company's ability to compete. Also, the acquired business may not perform as projected, and any cost savings and other synergies anticipated from the acquisition may not materialize.

In addition, the Company may divest or wind-down businesses that it believes are no longer consistent with its long-term objectives. In that regard, the Company may be subject to legal and regulatory actions in the ordinary course of business for those businesses that the Company has divested or placed in wind-down status that may adversely distract the Company's management or result in unexpected substantial costs.

The Company is subject to a variety of modeling risks that could have a material adverse impact on its business results; in the absence of an industry standard for catastrophe modeling, the Company's estimates may not be comparable to other insurance companies.

Property and casualty business is exposed to many risks. These risks are a function of the environments within which the Company operates. Certain exposures can be correlated with other exposures, and an event or a series of events can impact multiple areas of the Company simultaneously and have a material adverse effect on the Company's results of operations, financial condition and liquidity. These exposures require an entity-wide view of risk and an understanding of the potential impact on all areas of the Company.

The Company relies on complex financial models, including computer models and modeling techniques, which have been developed internally or by third parties to provide information on items such as historical loss costs and pricing, trends in claims severity and frequency, the effects of certain catastrophe losses, investment performance and portfolio risk. For example, the Company estimates a probable maximum loss for certain catastrophe exposures using models and other tools that require assumptions around several variables to model the event and its potential impact. Inadequacies in the models and modeling techniques that the Company uses or faulty assumptions or granularity of data could lead to actual losses being materially higher than the Company anticipated based on its analysis of the modeled scenarios. As a result, the Company could experience unexpectedly high losses through concentrated risk in certain geographic areas, could make ineffective or inefficient reinsurance purchases and could suffer unnecessary investment losses. While the models and modeling techniques that the Company uses are relatively sophisticated, the value of the quantitative market risk information they generate is limited by the limitations of the modeling process. The Company believes that financial and computer modeling techniques alone do not provide a reliable method of monitoring and controlling market risk. Therefore, such modeling techniques do not substitute for the experience or judgment of the Company's senior management.

There is no industry standard for the modeling of catastrophe risk. As a result, the Company's estimates may not be comparable to those of other insurance companies.

The Company cannot predict the impact that changing climate conditions, including legal, regulatory and social responses thereto, may have on the Company's business.

Scientists, environmentalists, international organizations, regulators and other commentators recognize that global climate change has added, and will continue to add, to the unpredictability, frequency and severity of natural disasters (including hurricanes, tornadoes, freezes, other storms and fires) and other impacts in certain parts of the world. Changing weather patterns and climate change have increased the unpredictability, frequency and severity of weather-related events, such as wildfires, hurricanes, floods and tornadoes, particularly in coastal areas, and may result in increased claims and higher catastrophe losses, which could have a material adverse effect on the Company's results of operations and financial condition. In response to these changes, a number of legal and regulatory measures as well as social initiatives have been introduced in an effort to reduce greenhouse gas emissions, which are considered to be one of the chief contributors to global climate change. Efforts to mitigate and adapt to a changing climate may affect technological preferences, regulatory policies, legal requirements, and market dynamics – creating what may be referred to as transition risks. Given the uncertainties that exist at this time, the Company cannot predict the impact, if any, that changing climate conditions will have on its results of operations or financial condition nor can the Company predict how transition risks arising from legal, regulatory, political and social responses to concerns about global climate change will impact the Company's business.

ESG disclosure laws are being adopted worldwide and are increasingly complex and may be difficult to comply with and the Company's stakeholders may react negatively to its disclosures.

ESG standards and sustainability have become major topics that encompass a wide range of issues, including climate change and other environmental risks. The Company is subject to complex and changing laws, regulations and public policy debates relating to climate change which are difficult to predict and quantify and may have an adverse impact on the Company's business. Changes in laws and regulations relating to climate change may result in an increase in the cost of doing business or a decrease in premiums in certain lines of business.

These laws and regulations are increasing in complexity and number, change frequently, sometimes conflict, and could expose the Company to significant monetary damages, regulatory enforcement actions, fines and/or criminal prosecution in one or more jurisdictions, including regulations related to cyber security protocols (which continue to evolve in breadth, sophistication and maturity in response to an ever-evolving threat landscape). In response to climate change, regulators at the federal, state and international level also could impose new regulations requiring disclosure of underwriting or investment in certain industry sectors.

Some of the Company's existing or potential investors, customers, employees, regulators, and other stakeholders evaluate the Company's business practices according to a variety of ESG standards and expectations, including those related to climate change, DEI, data privacy, and the wellbeing of its employees. Some regulators have proposed or adopted, or may propose or adopt, ESG rules or standards applicable to the Company's business. The Company's business practices and disclosures are evaluated against ESG standards which are continually evolving and not always well defined or readily measurable today. ESG-related expectations may also reflect contrasting or conflicting values or agendas. The Company's practices may not change in the particular ways or at the rate stakeholders expect. The Company may fail to meet its commitments or targets. The Company's policies and processes to evaluate and manage ESG priorities in coordination with other business priorities may not prove completely effective or fully satisfy the Company's stakeholders. Customers and potential customers may choose not to do business with the Company based on the Company's ESG practices and related policies and actions. The Company may face adverse regulatory, investor, media, or public scrutiny leading to business, reputational, or legal challenges.

In contrast to the foregoing, there has recently been an increase in anti-ESG sentiments among certain individuals, organizations and governmental institutions. It is possible that these groups may target the Company's ESG policies and focus negative attention on the Company and its practices. In addition, especially since the Company serves a wide range of customers from diverse industries, the Company could potentially lose certain customers and/or investors if the Company is not able to properly manage differing opinions on its ESG policies. Such an outcome could have an adverse impact on the Company's results of operations and financial condition.