

Transatlantic Reinsurance Company

Statutory-Basis Financial Statements

For the Years Ended December 31, 2024 and 2023

And Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Transatlantic Reinsurance Company

Opinions

We have audited the statutory-basis financial statements of Transatlantic Reinsurance Company (the "Company"), which comprise the statutory-basis statements of admitted assets, liabilities, and policyholders' surplus as of December 31, 2024 and December 31, 2023, and the related statutory-basis statements of operations, changes in policyholders' surplus, and cash flows for the years then ended, and the related notes to the statutory-basis financial statements (collectively referred to as the "statutory-basis financial statements").

Unmodified Opinion on Statutory-Basis of Accounting

In our opinion, the accompanying statutory-basis financial statements present fairly, in all material respects, the admitted assets, liabilities, and policyholders' surplus of the Company as of December 31, 2024 and December 31, 2023, and the results of its operations and its cash flows for the years then ended in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services described in Note 2.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America section of our report, the statutory-basis financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2024 and December 31, 2023, or the results of its operations or its cash flows for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statutory-Basis Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in Note 2 to the statutory-basis financial statements, the statutory-basis financial statements are prepared by the Company using the accounting practices prescribed or permitted by the New York State Department of Financial Services, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the New York State

Department of Financial Services. The effects on the statutory-basis financial statements of the variances between the statutory-basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Statutory-Basis Financial Statements

Management is responsible for the preparation and fair presentation of the statutory-basis financial statements in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory-basis financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Statutory-Basis Financial Statements

Our objectives are to obtain reasonable assurance about whether the statutory-basis financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the statutory-basis financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the statutory-basis financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statutory-basis financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statutory-basis financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplemental Schedules

Our December 31, 2024 audit was conducted for the purpose of forming an opinion on the December 31, 2024 statutory-basis financial statements as a whole. The supplemental summary investment schedule, the supplemental investment risk interrogatories, the supplemental schedule of reinsurance disclosures as of and for the year ended December 31, 2024, are presented for purposes of additional analysis and are not a required part of the December 31, 2024 statutory-basis financial statements. These schedules are the responsibility of the Company's management and were derived from and relate directly to the underlying accounting and other records used to prepare the statutory-basis financial statements. Such schedules have been subjected to the auditing procedures applied in our audit of the December 31, 2024 statutory-basis financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the statutory-basis financial statements or to the statutory-basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated in all material respects in relation to the December 31, 2024 statutory-basis financial statements as a whole.

Deloitte & Touche LLP

May 21, 2025

Transatlantic Reinsurance Company
Statements of Admitted Assets, Liabilities and Policyholders' Surplus
(in thousands, except share data)

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	As of December 31,	
	2024	2023
Admitted Assets:		
Investments:		
Bonds, at carrying value (fair value: 2024 - \$1,501,932; 2023 - \$969,954)	\$ 1,526,819	\$ 996,324
Common and preferred stock, principally at fair value (cost: 2024 - \$1,126,079; 2023 - \$1,139,141)	1,406,462	1,324,135
Other invested assets	175,075	241,983
Commercial mortgage loans	65,825	95,398
Receivables for securities	-	1,941
Short-term investments, at amortized cost (approximates fair value)	7,221,060	6,973,990
Cash and cash equivalents	388,154	501,017
Total invested assets	10,783,395	10,134,788
Premium and considerations receivable	1,133,465	1,156,985
Funds held by or deposited with reinsured companies	222,307	291,292
Reinsurance recoverable on paid losses and loss adjustment expenses	392,396	333,907
Interest and dividends due and accrued	15,743	13,311
Net deferred tax asset	101,177	103,240
Federal and foreign income tax recoverable	-	28,546
Other assets	86,805	34,008
Total admitted assets	<u>\$ 12,735,288</u>	<u>\$ 12,096,077</u>
Liabilities and Policyholders' Surplus:		
Net unpaid losses and loss adjustment expenses	\$ 5,617,061	\$ 5,379,254
Net unearned premiums	1,031,690	1,000,483
Reinsurance payable on paid losses and loss adjustment expenses	171,011	171,431
Ceded reinsurance premiums payable	610,076	580,756
Funds held by company under reinsurance treaties	44,961	44,758
Provision for reinsurance	8,530	11,801
Federal and foreign income tax payable	8,680	-
Other liabilities	202,258	190,186
Total liabilities	<u>7,694,267</u>	<u>7,378,669</u>
Common stock, \$5 par value; shares authorized, issued and outstanding: (2024 - 1,208,331; 2023 - 1,208,331)	6,042	6,042
Gross paid-in and contributed surplus	1,133,965	1,133,965
Unassigned surplus	3,901,014	3,577,401
Total policyholders' surplus	<u>5,041,021</u>	<u>4,717,408</u>
Total liabilities and policyholders' surplus	<u>\$ 12,735,288</u>	<u>\$ 12,096,077</u>

The accompanying notes are an integral part of these statutory-basis financial statements.

Transatlantic Reinsurance Company
Statements of Operations
(in thousands)

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	For the Years Ended December 31,	
	2024	2023
Underwriting income:		
Income:		
Net premiums written	\$ 2,784,135	\$ (2,108,364)
Change in net unearned premiums	(31,207)	807,157
Net premiums earned	<u>2,752,928</u>	<u>(1,301,207)</u>
Deductions:		
Losses and loss adjustment expenses	1,795,619	(2,304,815)
Other underwriting expenses	<u>861,419</u>	<u>566,223</u>
Total underwriting deductions	<u>2,657,038</u>	<u>(1,738,592)</u>
Net underwriting gain (loss)	<u>95,890</u>	<u>437,385</u>
Investment income:		
Net investment income	478,385	395,883
Net realized capital gains (losses), net of tax	<u>183</u>	<u>19,511</u>
Net investment gain (loss)	<u>478,568</u>	<u>415,394</u>
Other income (expense)	11,588	(3,874)
Income (loss) before income taxes	<u>586,046</u>	<u>848,905</u>
Federal and foreign income taxes expense (benefit) , excluding tax on net realized capital gains	<u>114,898</u>	<u>107,759</u>
Net income (loss)	<u>\$ 471,148</u>	<u>\$ 741,146</u>

The accompanying notes are an integral part of these statutory-basis financial statements.

Transatlantic Reinsurance Company
Statements of Changes in Policyholders' Surplus
(in thousands)

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	For the Years Ended	
	December 31,	
	2024	2023
Policyholders' surplus, beginning of year	\$ 4,717,408	\$ 3,874,622
Changes to policyholders' surplus:		
Net income (loss)	471,148	741,146
Dividends paid to Transatlantic Holdings, Inc.	(250,000)	-
Change in net unrealized capital appreciation, net of tax	67,628	116,520
Change in non-admitted assets	26,378	178,733
Change in net deferred income tax	(13,095)	(181,731)
Change in provision for reinsurance	3,271	102
Change in unrealized foreign exchange losses	18,283	(11,093)
Change in retroactive reinsurance balances	-	(891)
Change in surplus, net	323,613	842,786
Policyholders' surplus, end of year	\$ 5,041,021	\$ 4,717,408

The accompanying notes are an integral part of these statutory-basis financial statements.

Transatlantic Reinsurance Company
Statements of Cash Flows
(in thousands)

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	For the Years Ended	
	December 31,	
	2024	2023
Cash provided by operations:		
Premiums collected (paid), net of reinsurance	\$ 2,836,848	\$ (1,792,887)
Net investment income	472,968	404,348
Miscellaneous income	83,169	167,760
	<u>3,392,985</u>	<u>(1,220,779)</u>
Cash used in operations:		
Benefit and loss related payments, net of reinsurance	(1,557,812)	(1,436,022)
Commissions (net of reinsurance), expenses paid and aggregate write-ins for deductions	(880,586)	(810,599)
Federal and foreign income taxes (paid) recovered	(77,088)	(49,416)
	<u>(2,515,486)</u>	<u>(2,296,037)</u>
Net cash provided by (used in) operations	<u>877,499</u>	<u>(3,516,816)</u>
Proceeds from investments sold, matured or repaid:		
Bonds	467,669	2,945,358
Stocks	10,763	105,282
Mortgage loans	29,573	194,835
Other invested assets	58,069	40,797
Other	1,908	46,011
	<u>567,982</u>	<u>3,332,283</u>
Cost of investments acquired:		
Bonds	(1,004,937)	(330,111)
Stocks	(1,189)	(46,739)
Mortgage loans	-	(419)
Other invested assets	(3,565)	(4,199)
Other	-	(490)
	<u>(1,009,691)</u>	<u>(381,958)</u>
Net cash provided by (used in) investments	<u>(441,709)</u>	<u>2,950,325</u>
Cash used in financing and other:		
Dividends paid to stockholder	(250,000)	-
Other, net	(51,583)	(43,184)
Net cash (used in) provided by financing and other	<u>(301,583)</u>	<u>(43,184)</u>
Net change in cash, cash equivalents and short-term investments	134,207	(609,675)
Cash, cash equivalents and short-term investments, beginning of year	<u>7,475,007</u>	<u>8,084,682</u>
Cash, cash equivalents and short-term investments, end of year	<u>\$ 7,609,214</u>	<u>\$ 7,475,007</u>

The accompanying notes are an integral part of these statutory-basis financial statements.

1. Organization and Nature of Operations

Transatlantic Reinsurance Company (“TRC”, or the “Company”) is a New York domiciled property and casualty reinsurance company which is licensed or otherwise authorized as a reinsurer in 49 states and the District of Columbia in the United States and in Puerto Rico and Guam. TRC is a wholly-owned subsidiary of Transatlantic Holdings, Inc (“TRH”). As of December 31, 2024 and 2023, Berkshire Hathaway Inc. (“Berkshire Hathaway”) is the ultimate parent of FASIC.

Through its international locations, TRC has operations worldwide. TRC is licensed or registered and authorized as a foreign reinsurer in Bermuda, Canada, Japan, the United Kingdom, Mexico, several countries in South and Central America and the Caribbean, the Hong Kong Special Administrative Region of the People's Republic of China, Singapore, Germany and Australia. TRC is an admitted reinsurer in Brazil (where it maintains an office in Rio de Janeiro, TRC Escritorio de Representacao no Brasil Ltda.). In addition, TRC is registered and authorized as a foreign reinsurer in Argentina (where it maintains a representative office in Buenos Aires, Transatlantic Re (Argentina) S.A.). TRC is authorized to maintain a representative office in Shanghai, the People's Republic of China.

TRC offers reinsurance capacity for a full range of property and casualty products to insurers and reinsurers on a treaty and facultative basis, with an emphasis on specialty classes. TRC’s principal lines of business within property include fire; allied lines; auto physical damage; and homeowners multiple peril lines, which include property catastrophe risks. Property reinsurance accounted for approximately 29.7% and 25.2% of TRC’s net premiums written in 2024 and 2023, respectively. TRC’s principal lines of business within casualty includes directors’ and officers’ liability (“D&O”); errors and omissions liability (“E&O”); general liability; medical malpractice; ocean marine and aviation; auto liability (including non-standard risks); accident and health; mortgage reinsurance; surety; and credit. Casualty reinsurance accounted for approximately 70.3% and 74.8% of TRC’s net premiums written in 2024 and 2023, respectively.

TRC owns 100% of the outstanding stock of: 1) Fair American Insurance and Reinsurance Company (“FAIRCO”), a New York domiciled insurance company; 2) Fair American Select Insurance Company (“FASIC”), a Delaware insurance company; 3) Orien Risk Analysts, Inc. (“Orien”), a New York domiciled managing general underwriter (“MGU”) of specific and aggregate stop loss insurance over self-insured employee benefit programs; 4) TransRe London Ltd. (“TRL”), a reinsurance company based in the United Kingdom; 5) TransRe Europe S.A (“TRESA”), an international reinsurance company based in Luxembourg; and 6) Calpe Insurance Company Limited (“Calpe”), a motor line insurer domiciled in Gibraltar and having permission to operate in the United Kingdom.

2. Summary of Significant Accounting Policies

a. Basis of Presentation

The financial statements of TRC are presented on the basis of accounting practices prescribed or permitted by the New York State Department of Financial Services (the “NYSDFS”), which differ in certain respects from U.S. generally accepted accounting principles (“GAAP”). The effects of these differences are material.

The NYSDFS recognizes only statutory accounting practices prescribed or permitted in the state of New York for reporting the financial condition and results of operations of an insurance company

and for determining its solvency under the New York insurance law. The Superintendent of Financial Services has the right to permit other specific practices that deviate from prescribed practices. All material statutory accounting practices of TRC are prescribed in the authoritative literature described below.

The National Association of Insurance Commissioners (“NAIC”) Accounting Practices and Procedures Manual, version effective January 1, 2001 (“NAIC SAP”) has been adopted as a component of prescribed or permitted practices by the NYSDFS. TRC does not currently have any situations where prescribed or permitted accounting practices differ between the NYS DFS and the NAIC SAP.

Wholly-owned subsidiaries of TRC that are not consolidated into TRC’s financial statements but are included in the accompanying Statement of Admitted Assets, Liabilities and Policyholders’ Surplus as admitted common stock investments as of December 31, 2024 and 2023, respectively are as follows:

	<u>2024</u>	<u>2023</u>
	(in thousands)	
TRLL	\$ 600,384	\$ 535,805
TRESA	373,358	363,489
FAIRCO	224,482	210,711
FASIC	108,573	104,766
Calpe	39,214	37,686
	<u>\$ 1,346,011</u>	<u>\$ 1,252,457</u>

b. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could materially differ from those estimates and could have a material effect on net income.

TRC believes that its most critical accounting estimates are those with respect to loss reserves, fair value measurements of certain financial assets, and other-than-temporary impairments (“OTTI”) of investments, as they require management’s most significant exercise of judgment on both a quantitative and qualitative basis in the preparation of TRC’s financial statements and footnotes.

c. Accounting Policies

Current significant accounting policies are as follows:

- i. Investments are valued in accordance with the valuation procedures prescribed by the NAIC. Bonds are principally carried at amortized cost. Bonds which are NAIC rated 3 – 6 are carried at the lower of amortized cost or fair value with a credit or charge to unrealized investment gains or losses for the difference between amortized cost and fair value. Bonds that have not

been filed with the NAIC's Security Valuation Office ("SVO") within one year of purchase receive a "6*" rating and are carried at zero, with a charge to unrealized investment loss. Bonds filed with the SVO within one year of purchase which receive a 6* designation can carry a value greater than zero. The discount or premium on bonds is amortized using the effective yield method.

Cash and Cash equivalents are valued in accordance with SSAP 100R: Fair Value.

Common and nonredeemable preferred stocks, other than the common stock of TRC's wholly-owned unconsolidated subsidiaries, are primarily carried at fair value with a credit or charge to unrealized investment gains or losses for the difference between cost and fair value. The common stock of TRC's wholly-owned unconsolidated subsidiaries is carried at the respective subsidiary's net equity as determined on a statutory basis. Undistributed equity earnings of TRC's wholly-owned unconsolidated subsidiaries are included as a component of unrealized investment gains or losses. Dividends received from TRC's wholly-owned unconsolidated subsidiaries are recorded as investment income when receivable. Redeemable preferred stocks are principally carried at cost or amortized cost. All below investment grade preferred stocks are carried at the lower of cost, amortized cost or NAIC-designated fair value.

Short-term investments are carried at amortized cost which approximates fair value and have remaining maturities of greater than three months and less than one year at the date of acquisition. Such highly liquid investments with original maturities of three months or less at the date of acquisition are classified as cash equivalents.

Commercial mortgage loans are carried at unpaid principal balance, less allowance for loan losses in conformity with SSAP No. 37. The allowance for loan losses is a valuation allowance for incurred credit losses when management believes the uncollectibility of a loan balance is probable. Subsequent recoveries, if any, are credited to the allowance. Interest income on loans is accrued as earned. The estimated fair value of commercial mortgage loans approximates the carrying value.

Other invested assets, which consist primarily of alternative investments, are carried primarily at TRC's share of stockholders' equity on the underlying GAAP financial statements of the entity, based on the most recently available financial information provided by the general partner or management of each of the investments. The financial information is for the period ended one to three months prior to the end of TRC's reporting period. The financial statements of these investees are audited on an annual basis. Undistributed accumulated earnings of such entities are included as a component of unrealized investment gains or losses. Distributions received that are not in excess of the undistributed accumulated earnings are recognized as investment income. Distributions in excess of the undistributed accumulated earnings are treated as a return of capital.

The reported value of investments carried at fair value is principally derived from market price data for identical assets from exchange or dealer markets and from market observable inputs such as interest rates and yield curves that are observable at commonly quoted intervals. For certain bonds for which market prices were not readily available, market values were principally estimated using values obtained from independent pricing services, broker quotes and internal estimates.

Investment income is recorded as earned. Amortization of bond premium and the accretion of bond discount are charged or credited to investment income using the effective yield method.

Investment income due and accrued over 90 days past due is not admitted.

Realized gains or losses on the sale of investments are determined based on specific identification. In addition, where the declines in the fair value of securities below cost or amortized cost are considered to be other than temporary, a realized loss is recorded for the difference between cost or amortized cost and estimated fair value of such securities. Estimates of fair value are subjective and realizations will be dependent upon future events. In the Statement of Operations, net realized capital gains (losses) are presented net of the related income tax effect.

Except in cases where OTTI has been recorded, changes in unrealized appreciation or depreciation of bonds with a NAIC 3 – 6 rating and common and nonredeemable preferred stocks and other invested assets are charged or credited, net of the related income tax effect, directly to unassigned surplus.

TRC continually monitors the difference between cost and the estimated fair value of its investments, which involves uncertainty as to whether declines in value are temporary in nature. The analysis of any individual security's decline in value is performed in its original currency.

Management's assessment of equity securities initially involves an evaluation of all securities that are in an unrealized loss position, regardless of the duration or severity of the loss, as of the applicable balance sheet date. Such initial review consists primarily of assessing whether:

- (1) there has been a negative credit or news event with respect to the issuer that could indicate the existence of an OTTI; and
- (2) TRC has the ability and intent to hold an equity security for a period of time sufficient to allow for an anticipated recovery (generally considered to be less than one year from the balance sheet date).

To the extent that an equity security in an unrealized loss position is not impaired based on the initial review described above, TRC then further evaluates such equity security and deems it to be other-than-temporarily impaired if it has been in an unrealized loss position greater than 20 percent of its costs for twelve consecutive months or more or if its unrealized loss position is greater than 50% of its cost, absent compelling evidence to the contrary.

Debt securities in an unrealized loss position are evaluated for OTTI if they meet any of the following criteria:

- (1) they are trading at a discount of at least 20% to amortized cost and have a credit rating below investment grade or are not rated;
- (2) there has been a negative credit or news event with respect to the issuer that could indicate the existence of an OTTI; and

- (3) TRC intends to sell or it is more likely than not that TRC will sell the debt security before recovery of its amortized cost basis.

If TRC intends to sell, or it is more likely than not that TRC will sell, a debt security before recovery of its amortized cost basis, the total amount of the unrealized loss position is recognized as an OTTI loss in earnings. To the extent that a debt security that is in an unrealized loss position is not impaired based on the preceding, TRC will consider a debt security to be impaired when it believes it to be probable that TRC will not be able to collect the entire amortized cost basis.

For debt securities in an unrealized loss position as of the end of each quarter, TRC develops a best estimate of the present value of expected cash flows. If the result of the cash flow analysis indicates that TRC will not recover all amounts due according to the contractual terms of the debt security, TRC records an OTTI loss in earnings equal to the difference between the present value of expected cash flows and the amortized cost basis of the security. If applicable, the difference between the total unrealized loss position on the security and the OTTI loss recognized in earnings is the non-credit related portion and is recorded as a component of unassigned funds.

If a loss is recognized from a sale subsequent to a balance sheet date pursuant to changes in circumstances, the loss is recognized in the period in which the intent to hold the securities to recovery no longer exists.

In periods subsequent to the recognition of OTTI loss for bonds, which are not credit related, TRC generally accretes into income the discount or amortizes the reduced premium resulting from the reduction in cost basis over the remaining life of the security based on the amount and timing of estimated future cash flows.

Securities, where the collection of all contractual cash flows is probable, will be revalued at least quarterly, using currently estimated cash flows, employing either the prospective or retrospective adjustment methodologies. The retrospective adjustment methodology changes both the yield and the asset balance so that expected future cash flows produce a return on the investment equal to the return expected over the life of the investment as measured from the date of acquisition. For securities where the collection of all contractual cash flows is not probable, the excess of all cash flows expected at acquisition over the initial investment in the security is recognized as interest income on an effective yield basis over the life of the security. Any excess of contractually required cash flows over the cash flows expected to be collected is a non-accretable difference.

- ii. Unpaid losses and loss adjustment expenses (“LAE”) are principally based on reports and individual case estimates received from ceding companies. The incurred but not reported (“IBNR”) portion of unpaid losses and LAE is based on past experience and other factors. The methods of making such estimates and for establishing the resulting reserves are continually reviewed and updated. Any resulting adjustments are reflected in income currently. Net losses and LAE incurred consists of the estimated ultimate cost of settling claims incurred within the reporting period (net of related reinsurance recoverable), including IBNR claims, plus changes in estimates of prior period losses.

The estimation of the liability for net unpaid losses and LAE is inherently difficult and subjective, especially in view of changes in the legal and economic environment which impact the development of net unpaid losses and LAE, and therefore quantitative techniques frequently have to be supplemented by subjective considerations and managerial judgment. In addition, trends that have affected development of liabilities in the past may not necessarily occur or affect liability development to the same degree in the future.

While the reserving process is difficult for the ceding companies, the inherent uncertainties of estimating loss reserves are even greater for the reinsurer, due primarily to the longer-term nature of much reinsurance business, the diversity of development patterns among different types of reinsurance treaties or facultative contracts, the necessary reliance on the ceding companies for information regarding reported claims and the differing reserving practices among ceding companies, which can be subject to change without notice. TRC writes a significant amount of non-proportional assumed casualty reinsurance as well as proportional assumed reinsurance of excess liability business for classes such as medical malpractice, D&O, E&O and general casualty. Claims from such classes can exhibit greater volatility over time than most other classes due to their low frequency, high severity nature and loss cost trends that are more difficult to predict.

Therefore, there can be no assurance that the ultimate liability will not materially differ from amounts reserved with a resulting material effect on the operating results of TRC.

TRC does not discount its loss reserves.

- iii. For pro rata treaty contracts, premiums written and earned are based on reports received from ceding companies. For excess-of-loss treaty contracts, premiums are generally recorded as written based on contract terms. Premiums are earned ratably over the terms of the related coverages. Unearned premiums represent the portion of gross premiums assumed, net of reinsurance ceded, relating to the unexpired terms of such coverages. Premiums written and earned, along with related costs, for which data has not been reported by the ceding companies, are estimated based on historical patterns and other relevant information. These estimates are subject to change when actual data for such items estimated becomes available. In the Statements of Operations, premiums written, premiums earned and the change in unearned premiums are presented net of reinsurance ceded.

TRC does not anticipate investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, "Property Casualty Contracts – Premiums."

- iv. In accordance with SSAP No. 23, "Foreign Currency Transactions and Translations," assets and liabilities denominated in foreign currencies are translated into U.S. dollars at period-end exchange rates. Income and expense accounts are translated at average exchange rates for the year. The resulting translation adjustment for functional currencies is credited or charged to policyholders' surplus.

Transaction gains and losses on assets and liabilities denominated in foreign currencies are credited or charged to results of operations during the period in which they occur. The foreign exchange revaluation of beginning unpaid losses and LAE are adjusted in losses paid in the period. The foreign exchange revaluation of beginning unearned premium reserves is adjusted

in premiums written in the period.

- v. Acquisition costs, consisting primarily of commissions incurred on business assumed through reinsurance contracts or certificates, are charged to other underwriting expenses as incurred. In addition, commissions earned by TRC on reinsurance ceded are deducted from other underwriting expenses.
- vi. Current income taxes are provided on taxable earnings at the appropriate statutory rate applicable to such earnings. Deferred federal income taxes are provided to reflect the net tax effects of temporary differences between the carrying amounts of statutory-basis assets and liabilities and the amounts used for federal income tax purposes. The change in net deferred taxes is charged or credited directly to surplus. Deferred Tax Assets (“DTAs”) in excess of certain defined limitations are excluded from the Statements of Admitted Assets, Liabilities and Policyholders’ Surplus and charged to surplus as a non-admitted asset.
- vii. Certain assets, principally (1) deferred income taxes in excess of certain defined limitations; (2) investments that do not meet the requirements for recognition under SSAP No. 97; (3) reinsurance balances due from ceding companies which are over 90 days past due; (4) prepaid expenses; (5) a portion of electronic data equipment and software; (6) leasehold improvements, equipment, furniture and fixtures; and (7) intangible assets, are designated as non-admitted assets and are excluded from the Statements of Admitted Assets, Liabilities and Policyholders’ Surplus by direct charges to unassigned surplus. Non-admitted assets were \$103.2 million and \$129.6 million (including \$70.5 million and \$95.5 million, respectively, relating to net DTAs) as of December 31, 2024 and 2023, respectively.
- viii. A provision for reinsurance, representing a statutory reserve for reinsurance recoverable from unauthorized reinsurance companies (*i.e.*, not licensed in the state of New York) and overdue reinsurance recoverable balances from authorized reinsurance companies, has been established by a charge to unassigned surplus to the extent funds or letters of credit are not held by TRC.

Under GAAP:

- (1) certain acquisition costs are deferred and amortized over the periods in which the related premiums are earned;
- (2) provisions are made for deferred federal income taxes to reflect the net tax effect of temporary differences between the carrying amount of GAAP basis assets and liabilities and the amounts used for federal income tax purposes. The change in net deferred taxes, excluding the amounts relating to unrealized investment gains and losses and unrealized foreign exchange, is a component of net income;
- (3) non-admitted assets and unauthorized and overdue authorized reinsurance changes are not recorded as they are statutory only requirements;
- (4) assets and liabilities relating to reinsurance contracts must be shown gross of the effects of reinsurance;
- (5) the financial statements of TRC and its subsidiaries are consolidated and all intercompany balances are eliminated;
- (6) bonds available for sale are carried at fair value;
- (7) changes in the fair value of equity securities are recognized in net income; and

(8) certain credit-related allowances are required under U.S. GAAP and are currently not required under statutory accounting practices. For item (3), the statutory provision for reinsurance is replaced by a credit allowance under U.S. GAAP.

d. Going Concern

As of December 31, 2024, and through the date the financial statements were available to be issued, there was no substantial doubt about the Company's ability to continue as a going concern. No conditions or events, considered in the aggregate, indicate that it is probable that the Company will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued.

e. Recent Accounting Standards

In August 2024, the NAIC adopted new rules which introduced a principles-based definition of bonds (the "Bond Project") which impacted Statement of Statutory Accounting Principles ("SSAP") No. 26, Bonds, SSAP No. 43, Loan-Backed and Structured Securities, and SSAP No. 21, Other Admitted Assets. The Bond Project's definition of bonds focuses on the substance of the investment rather than their legal form and distinguishes between issuer credit obligations and asset-backed securities, providing a clearer framework for classification. The revised SSAP No. 26 now specifies exclusions for securities that do not qualify as bonds pursuant to the principles-based bond definition, including first loss positions that lack contractual payments or substantive credit enhancement. Securities that represent an ownership interest or that possess equity-like characteristics will also be excluded under SSAP No. 26 and will now be considered under SSAP No. 21. The Bond Project is effective January 1, 2025. The Company adopted the Bond Project on January 1, 2025 and it did not have a material impact on its classification of investments, results of operations and financial condition.

3. Accounting Changes and Corrections of Errors

The Company did not have any corrections of errors in 2024 or 2023.

4. Fair Value Measurements

a. Fair Value

TRC assigns fair values to all financial instruments, but only measures and records certain financial instruments at fair value on the Statements of Admitted Assets, Liabilities and Policyholders' Surplus in accordance with statutory accounting practices. Financial instruments measured and recorded at fair value on the Statements of Admitted Assets, Liabilities and Policyholders' Surplus include unaffiliated common stocks and certain assets in which events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. These assets primarily include bonds, which are typically carried on the Statement of Admitted Assets, Liabilities and Policyholders' Surplus at amortized cost. TRC records bonds at fair value if they are classified as NAIC rated 3-6, and they will be carried at the lower of amortized cost or fair value.

Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between willing, able and knowledgeable market participants at the measurement date. Fair value measurements are not adjusted for transaction costs. In addition,

a three-tiered hierarchy for inputs is used in management’s determination of fair value of financial instruments that emphasizes the use of observable inputs over the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are market participant assumptions based on market data obtained from sources independent of the reporting entity. Unobservable inputs are the reporting entity’s own assumptions about market participant assumptions based on the best information available under the circumstances. In assessing the appropriateness of using observable inputs in making fair value determinations, TRC considers whether the market for a particular security is “active” or not based on all the relevant facts and circumstances. A market may be considered to be inactive if there are relatively few recent transactions or if there is a significant decrease in market volume. Furthermore, TRC considers whether observable transactions are “orderly” or not. TRC does not consider a transaction to be orderly if there is evidence of a forced liquidation or other distressed condition, and as such, little or no weight is given to that transaction as an indicator of fair value.

Although TRC is responsible for the determination of the value of the financial assets and the supporting methodologies and assumptions, it employs third party valuation service providers to gather, analyze and interpret market information and derive fair values based upon relevant methodologies and assumptions for individual instruments. When those providers are unable to obtain sufficient market observable information upon which to estimate the fair value for a particular security, fair value is determined either by requesting a quote, which is generally non-binding, from brokers who are knowledgeable about these securities or by employing widely accepted valuation models.

Valuation service providers typically obtain data about market transactions and other key valuation model inputs from multiple sources and, through the use of widely accepted internal valuation models, provide a single fair value measurement for individual securities. The inputs used by the valuation service providers include, but are not limited to, market prices from recently completed transactions and transactions of comparable securities, interest rate yield curves, credit spreads, currency rates, and other market observable information, as applicable. The valuation models take into account, among other things, market observable information as of the measurement date as well as the specific attributes of the security being valued including its term, interest rate, credit rating, industry sector, and when applicable, collateral quality and other issue or issuer specific information. When market transactions or other market observable data is limited, the extent to which judgment is applied in determining fair value is greatly increased.

b. Fair Value Hierarchy

Financial instruments are classified in a hierarchy for disclosure purposes consisting of three “levels” based on the observability of inputs available in the marketplace used to measure the fair values as discussed below:

- “Level 1” - Valuations are based on unadjusted quoted prices in active markets that TRC has the ability to access for identical, unrestricted assets, and do not involve any meaningful degree of judgment. An active market is defined as a market where transactions for the financial instrument occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Assets classified as Level 1 principally include actively traded listed common stocks and mutual funds (which are included on the Statements of Admitted Assets, Liabilities and Policyholders’ Surplus in common stocks), most short-term investments and certain bonds.

- “Level 2” - Valuations are based on direct and indirect observable inputs other than quoted market prices included in Level 1. Level 2 inputs include quoted prices for similar assets in active markets and inputs other than quoted prices that are observable for the asset, such as the terms of the security and market-based inputs. Terms of the security include coupon, maturity date, and any special provisions that may, for example, enable the investor, at its election, to redeem the security prior to its scheduled maturity date. Market-based inputs include interest rates and yield curves that are observable at commonly quoted intervals and current credit rating(s) of the security. Assets classified as Level 2 principally include certain short-term investments, certain bonds and preferred stocks.
- “Level 3” - Valuations are based on techniques that use significant inputs that are unobservable. The valuation of Level 3 assets requires the greatest degree of judgment. These measurements may be made under circumstances in which there is little, if any, market activity for the asset. TRC’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment. In making the assessment, TRC considers factors specific to the asset. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Some Level 3 valuations are based entirely on non-binding broker quotes. Assets classified as Level 3 principally include certain bonds, other invested assets, and commercial mortgage loans.

TRC employs specific control processes to determine the reasonableness of the fair values of its financial assets and liabilities. TRC’s processes are designed to ensure that the values received or internally estimated are accurately recorded and that the data inputs and the valuation techniques utilized are appropriate, consistently applied, and that the assumptions are reasonable and consistent with the objective of determining fair value. TRC assesses the reasonableness of individual security values received from valuation service providers through various analytical techniques.

In addition to such procedures, TRC reviews the reasonableness of its classification of securities within the three-tiered hierarchy to ensure that the classification is consistent with statutory accounting practices.

c. Fair Value of Financial Instruments

The following tables present information about the fair values of all financial instruments as of December 31, 2024 and 2023 and indicate the level of the fair value measurement based on the levels of the inputs used or investment reported at NAV. Investments in common and preferred stocks of wholly-owned subsidiaries of the Company are excluded in the tables below:

Transatlantic Reinsurance Company
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	December 31, 2024				
Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	NAV	Total
	(in millions)				
Assets at Fair Value:					
Bonds:					
U.S. Government	\$ 843.9	\$ -	\$ -	\$ -	\$ 843.9
All Other Governments	173.3	73.7	-	-	247.0
Industrial and Miscellaneous	-	-	411.1	-	411.1
Total Bonds	1,017.2	73.7	411.1	-	1,502.0
Common and preferred stocks:					
Industrial and Miscellaneous	60.3	0.1	-	-	60.4
Total Common and Preferred Stocks	60.3	0.1	-	-	60.4
Total Short-term Investments	7,221.2	-	-	-	7,221.2
Total Other Invested Assets	-	-	100.7	74.4	175.1
Total Commercial Mortgage Loans	-	-	65.8	-	65.8
Total Assets at Fair Value	\$ 8,298.7	\$ 73.8	\$ 577.6	\$ 74.4	\$ 9,024.5

	December 31, 2023				
Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	NAV	Total
	(in millions)				
Assets at Fair Value:					
Bonds:					
U.S. Government	\$ 272.3	\$ -	\$ -	\$ -	\$ 272.3
All Other Governments	157.2	58.7	-	-	215.9
Industrial and Miscellaneous	-	-	481.7	-	481.7
Total Bonds	429.5	58.7	481.7	-	969.9
Common and preferred stocks:					
Industrial and Miscellaneous	70.2	1.5	-	-	71.7
Total Common and Preferred Stocks	70.2	1.5	-	-	71.7
Total Short-term Investments	6,961.3	12.5	-	-	6,973.8
Total Other Invested Assets	-	-	112.5	129.5	242.0
Total Commercial Mortgage Loans	-	-	95.4	-	95.4
Total Assets at Fair Value	\$ 7,461.0	\$ 72.7	\$ 689.6	\$ 129.5	\$ 8,352.8

The investments reported at NAV include certain of the Company's investments in mutual funds and limited liability companies. As of December 31, 2024 and 2023, the Company does not believe sales of these assets would occur at amounts different from the NAV per share.

TRC had no financial liabilities measured at or required to be disclosed at fair value as of December 31, 2024 and 2023.

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The following tables present analyses of the changes during 2024 and 2023 in Level 3 assets measured or disclosed at fair value:

Description	Year Ended December 31, 2024										Ending Balance at 12/31/2024
	Beginning Balance at 01/01/2024	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements		
Assets	(in millions)										
Bonds											
Loan-Backed and Structured	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Industrial and Miscellaneous	481.7	-	-	-	0.6	-	-	-	(71.2)	411.1	
Other	-										
Other Invested Assets	112.5	-	-	(0.7)	(4.7)	3.6	-	-	(10.0)	100.7	
Commercial Mortgage Loans	95.4	-	-	-	-	-	-	-	(29.6)	65.8	
Total Assets	\$ 689.6	\$ -	\$ -	\$ (0.7)	\$ (4.1)	\$ 3.6	\$ -	\$ -	\$ (110.8)	\$ 577.6	

Description	Year Ended December 31, 2023										Ending Balance at 12/31/2023
	Beginning Balance at 01/01/2023	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements		
Assets	(in millions)										
Bonds											
Loan-Backed and Structured	\$ 67.1	\$ -	\$ (67.1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Industrial and Miscellaneous	528.6	-	-	0.1	15.2	-	-	(2.2)	(60.0)	481.7	
Other											
Other Invested Assets	131.8	-	-	(4.9)	3.0	4.2	-	-	(21.6)	112.5	
Commercial Mortgage Loans	315.7	-	-	(25.9)	-	0.4	-	(178.4)	(16.4)	95.4	
Total Assets	\$ 1,043.2	\$ -	\$ (67.1)	\$ (30.7)	\$ 18.2	\$ 4.6	\$ -	\$ (180.6)	\$ (98.0)	\$ 689.6	

TRC recognizes transfers in and out of Level 3 at the beginning of the quarterly reporting period. There were no transfers out of Level 3 in 2024. In 2023, there were \$67.1 million of transfers out of Level 3. There were no transfers into Level 3 in 2024 and 2023.

5. Investments

a. Statutory Deposits

Investments with carrying values of \$2.0 billion and \$2.5 billion as of December 31, 2024 and 2023, respectively, were deposited with states, various financial institutions in connection with reinsurance trusts, letter of credit facilities, and various governmental authorities as required to comply with insurance laws. These deposits are primarily bonds and short-term investments. All statutory deposits are admitted assets.

b. Unrealized Gains and Losses

The carrying values of investments in bonds as recorded in the Statements of Admitted Assets, Liabilities and Policyholders' Surplus and the cost or amortized cost and fair values of investments in bonds as of December 31, 2024 and 2023 are as follows:

2024					
	Cost or	Carrying	Gross Unrealized		
	Amortized Cost	Value	Gains	Losses	Fair Value
			(in thousands)		
U.S. Government	\$ 845,479	\$ 845,479	\$ 792	\$ (2,367)	\$ 843,904
All Other Governments	246,836	246,836	208	(86)	246,958
Special revenue and special assessment obligations of all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	16	16	-	-	16
Industrial and Miscellaneous	434,647	434,488	3,354	(26,947)	411,054
Total	<u>\$ 1,526,978</u>	<u>\$ 1,526,819</u>	<u>\$ 4,354</u>	<u>\$ (29,400)</u>	<u>\$ 1,501,932</u>

2023					
	Cost or	Carrying	Gross Unrealized		
	Amortized Cost	Value	Gains	Losses	Fair Value
			(in thousands)		
U.S. Government	\$ 275,554	\$ 275,554	\$ 30	\$ (3,241)	\$ 272,343
All Other Governments	214,972	214,972	1,298	(355)	215,915
Special revenue and special assessment obligations of all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	21	21	-	-	21
Industrial and Miscellaneous	505,824	505,777	3,992	(28,141)	481,675
Total	<u>\$ 996,371</u>	<u>\$ 996,324</u>	<u>\$ 5,320</u>	<u>\$ (31,737)</u>	<u>\$ 969,954</u>

As of December 31, 2024 and 2023, pre-tax net unrealized gains and losses of unaffiliated common and preferred stocks included gross unrealized gains of \$3.8 million and \$1.8 million, respectively, and gross unrealized losses of less than \$0.1 million and \$0.1 million, respectively.

Pre-tax net unrealized gains included in unassigned surplus for invested assets totaled \$312.4 million and \$230.8 million for 2024 and 2023, respectively.

c. Contractual Maturities of Bonds

The carrying value and fair value of investments in bonds as of December 31, 2024, by contractual maturity, are shown in the following table. Expected maturities may differ from contractual

maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Carrying Value	Fair Value
	(in thousands)	
Due in one year or less	\$ 705,357	\$ 705,536
Due after one year through five years	713,428	696,035
Due after five years through ten years	73,126	62,831
Due after ten years	34,908	37,530
Total	<u>\$ 1,526,819</u>	<u>\$ 1,501,932</u>

d. Net Investment Income

An analysis of net investment income of TRC follows:

	Years Ended December 31,	
	2024	2023
	(in thousands)	
Bonds	\$ 51,372	\$ 37,132
Common and preferred stocks	24,346	628
Cash, cash equivalents and short-term investments	375,333	337,441
Other, net	29,168	22,517
Total investment income	480,219	397,718
Investment expenses	(1,834)	(1,835)
Net investment income	<u>\$ 478,385</u>	<u>\$ 395,883</u>

e. Investment Gains and Losses

Net realized capital gains and losses for 2024 and 2023 are summarized below:

	Years Ended December 31,	
	2024	2023
	(in thousands)	
(Losses) gains on sales and redemptions of securities	\$ 936	\$ (39,901)
OTTI write-downs and other	(1,335)	(3,341)
Pre-tax net realized capital (losses) gains	(399)	(43,242)
Income tax benefit (expense)	582	62,753
Net realized capital gains (losses), net of tax	<u>\$ 183</u>	<u>\$ 19,511</u>

	Years Ended December 31,	
	2024	2023
	(in thousands)	
Bonds	\$ 1,128	\$ (42,788)
Common and preferred stocks	197	29,946
Other	(1,724)	(30,401)
Pre-tax net realized capital (losses) gains	(399)	(43,243)
Income tax benefit (expense)	582	62,753
Net realized capital gains (losses), net of tax	<u>\$ 183</u>	<u>\$ 19,510</u>

Proceeds from sales of bonds during 2024 and 2023 were \$129.9 million and \$2.6 billion, respectively. Gross gains of less than \$0.1 million and \$34.7 million and gross losses of \$0.1 million and \$79.9 million were realized on sales in 2024 and 2023, respectively.

Proceeds from sales of common and preferred stocks during 2024 and 2023 were \$10.8 million and \$105.3 million, respectively. Gross gains of \$0.1 million and \$37.1 million and gross losses of less than \$0.1 million and \$7.2 million were realized on sales of common and preferred stocks in 2024 and 2023, respectively.

f. Aging of Gross Unrealized Losses

As of December 31, 2024 and 2023, the aging of the gross unrealized losses with respect to bonds and unaffiliated common and preferred stocks grouped by the number of months in a continuous unrealized loss position, was as follows:

	As of December 31, 2024					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(in millions)					
Bonds						
U.S. Government	\$ 426	\$ (2)	\$ 11	\$ -	\$ 437	\$ (2)
All Other Governments	92	-	36	-	128	-
Industrial and Miscellaneous	18	-	367	(27)	385	(27)
Total fixed maturities	536	(2)	414	(27)	950	(29)
Common and preferred stock	-	-	-	-	-	-
Total	<u>\$ 536</u>	<u>\$ (2)</u>	<u>\$ 414</u>	<u>\$ (27)</u>	<u>\$ 950</u>	<u>\$ (29)</u>

	As of December 31, 2023					
	Less than 12 Months		12 Months or More		Total	
	Fair	Gross	Fair	Gross	Fair	Gross
	Value	Unrealized	Value	Unrealized	Value	Unrealized
		Losses		Losses		Losses
	(in millions)					
Bonds						
U.S. Government	\$ 150	\$ (1)	\$ 117	\$ (3)	\$ 267	\$ (4)
All Other Governments	41	-	-	-	41	-
Industrial and Miscellaneous	13	-	423	(28)	436	(28)
Total fixed maturities	204	(1)	540	(31)	744	(32)
Common and preferred stock	-	-	1	-	1	-
Total	\$ 204	\$ (1)	\$ 541	\$ (31)	\$ 745	\$ (32)

After adjusting the cost basis of securities for the recognition of OTTI losses, if any, the remaining gross unrealized investment losses as of December 31, 2024 were deemed to be temporary, based on, among other things:

- (1) the relative magnitude to which fair values of these investments have been below cost was not indicative of an OTTI loss;
- (2) the absence of compelling evidence that would cause TRC to call into question the financial condition or near-term prospects of the issuer of the investment; and
- (3) TRC's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery.

TRC may ultimately record a realized loss after having originally concluded that the decline in value was temporary. Risks and uncertainties are inherent in the methodology TRC uses to assess other-than-temporary declines in value. Risks and uncertainties could include, but are not limited to, incorrect assumptions about financial condition, liquidity or future prospects, inadequacy of any underlying collateral, and unfavorable changes in economic conditions or social trends, interest rates or credit ratings.

As of December 31, 2024, TRC held a total of 91 debt and equity securities that were in an unrealized loss position, of which 79 securities were in an unrealized loss position continuously for 12 months or more.

As of December 31, 2023, TRC held a total of 110 debt and equity securities that were in an unrealized loss position, of which 100 securities were in an unrealized loss position continuously for 12 months or more.

The fair value of bonds in an unrealized loss position as of December 31, 2024 and 2023, by contractual maturity, are shown below:

	Fair Value	
	2024	2023
	(in millions)	
Due in one year or less	\$ 677	\$ 278
Due after one year through five years	63	324
Due after five years through ten years	18	128
Due after ten years	192	14
Total	<u>\$ 950</u>	<u>\$ 744</u>

g. Loan-Backed and Structured Securities

TRC had a de minimis amount of loan-backed securities and structured securities as of December 31, 2024 and 2023.

There were no recognized OTTI losses on loan-backed and structured securities in 2024 and 2023.

There were no impaired loan-backed and structured securities as of December 31, 2024. Impaired loan-backed and structured securities were de minimis as of December 31, 2023.

TRC did not have any subprime exposure through loan-backed and structured securities as of December 31, 2024.

h. Low Income Housing Tax Credit (“LIHTC”) Properties

As of December 31, 2024 and 2023, TRC did not invest in a LIHTC.

i. Commercial Mortgage Loans

As of December 31, 2024 and 2023, the carrying value of commercial mortgage loans was \$65.8 million and \$95.4 million, respectively. In 2024 and 2023, the lowest interest rate on any loan held was 3.65% and 3.65%, respectively, and the highest rate was 4.51% and 9.34%, respectively. The highest percentage of loan value to underlying security value was 157% and 118% for 2024 and 2023, respectively.

There were no loans past due over 30 days as of December 31, 2024 and 2023.

There were five and eight borrowers where the loan balance was greater than 5% of the total loans in 2024 and 2023, respectively.

j. Subsidiary, Controlled and Affiliated (“SCA”) Investments excluding SSAP No. 97 8b(i) entities

As of December 31, 2024, TRC had the following insurance SCA investments (in thousands, except percentages):

SCA Entity	Percentage of SCA Ownership	Gross Amount	Admitted Amount	Non-admitted Amount	Code*
a. SSAP No 97 8a Entities	None				
b. SSAP No 97 8b(ii) Entities	None				
c. SSAP No 97 8b(iii) Entities					
Orien Risk Analysts, Inc.	100%	\$9,939	\$0	\$9,939	I
Total SSAP No 97 8b(iii) Entities		\$9,939	\$0	\$9,939	
d. SSAP No 97 8b(iv) Entities					
TRESA	100%	\$373,358	\$373,358	\$ -	I
TRLL	100%	600,384	600,384	-	I
Calpe	100%	39,214	39,214	-	I
El Sol Del Paraguay Cia De Seguros Y Reaseguros, S.A.	23%	943	-	943	I
Transatlantic Re(Argentina) S.A. (Buenos Aires)	5%	4	-	4	I
Total SSAP No 97 8b(iv) Entities		\$1,013,903	\$1,012,956	\$947	
e. Total SSAP No 97 8b Entities (except 8bi entities)		\$1,023,842	\$1,012,956	\$10,886	I
f. Aggregate Total		\$1,023,842	\$1,012,956	\$10,886	
* “I” – Immaterial changes in the reported SCA					
“M” – Material changes in the reported SCA					

As of December 31, 2023, TRC had the following insurance SCA investments (in thousands, except percentages):

SCA Entity	Percentage of SCA Ownership	Gross Amount	Admitted Amount	Non-admitted Amount	Code*
a. SSAP No 97 8a Entities	None				
b. SSAP No 97 8b(ii) Entities	None				
c. SSAP No 97 8b(iii) Entities					
Orien Risk Analysts, Inc.	100%	\$12,530	\$0	\$12,530	I
Total SSAP No 97 8b(iii) Entities		\$12,530	\$0	\$12,530	
d. SSAP No 97 8b(iv) Entities					
TRESA	100%	\$363,489	\$363,489	\$ -	I
TRLL	100%	535,805	535,805	-	I
Calpe	100%	37,686	37,686	-	I
El Sol Del Paraguay Cia De Seguros Y Reaseguros, S.A.	23%	926	-	926	I
Transatlantic Re(Argentina) S.A. (Buenos Aires)	5%	4	-	4	I
Total SSAP No 97 8b(iv) Entities		\$937,910	\$936,980	\$926	
e. Total SSAP No 97 8b Entities (except 8bi entities)		\$950,440	\$936,980	\$13,456	I
f. Aggregate Total		\$950,440	\$936,980	\$13,456	
* “I” – Immaterial changes in the reported SCA					
“M” – Material changes in the reported SCA					

6. Federal and Foreign Income Taxes

For tax years 2024 and 2023, the Company has or will file a consolidated tax return with its ultimate parent. The method of allocation among companies is subject to a tax sharing agreement whereby allocation is made primarily on a separate return basis with current credit for net losses. However, any tax deduction, inclusion or attribute calculated at the consolidated level shall be calculated at the required level and allocated to the companies in a manner that is compliant with pertinent tax regulations except that the parent company, Alleghany Corporation (“Alleghany”), agrees not to allocate and charge TRC the Alternative Minimum Tax under Internal Revenue Code Section 55.

The Inflation Reduction Act (“IRA”) of 2022 was enacted on August 16, 2022. The IRA includes a new Federal Corporate Alternative Minimum Tax (“CAMT”), effective in 2023, that is based on the adjusted financial statement income set forth on the applicable financial statement of an applicable corporation. The National Association of Insurance Commissioners adopted Interpretation (“INT”) 23-03 to apply to the statutory financial statements for 2024. Following the guidance, due to the Company joining in the consolidated income tax return by Berkshire Hathaway Inc., it has been determined as of the reporting date that it will be an applicable corporation. Although an applicable corporation, the financial statements do not include an impact of the CAMT as the Company is an applicable reporting entity with tax allocation agreement exclusions.

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

The components of the Deferred Tax Assets (“DTAs”) and Deferred Tax Liabilities (“DTLs”) and the change in admitted DTA are as follows:

	As of December 31,					
	2024			2023		
	(in thousands)					
	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross DT As	\$ 252,373	\$ 2,173	\$ 254,546	\$270,871	\$ 2,407	\$ 273,278
Statutory valuation allowance	(67,642)	-	(67,642)	(64,482)	-	(64,482)
Adjusted gross DT As	184,731	2,173	186,904	206,389	2,407	208,796
DT As not admitted	(70,457)	-	(70,457)	(95,481)	-	(95,481)
Net Admitted DT As	114,274	2,173	116,447	110,908	2,407	113,315
Gross DTLs	(8,820)	(6,450)	(15,270)	(4,046)	(6,029)	(10,075)
Net DTA after admissibility test	105,454	(4,277)	101,177	106,862	(3,622)	103,240
2(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	87,490	-	87,490	86,987	1,978	88,965
2(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	13,687	-	13,687	14,275	-	14,275
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	13,687	-	13,687	14,275	-	14,275
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	N/A	N/A	740,944	N/A	N/A	692,125
2(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) offset by Gross Deferred Tax Liabilities	13,097	2,173	15,270	9,646	429	10,075
2(d) Deferred Tax Assets Admitted as the result of application of SSAP No 101						
Total (2(a) + 2(b) + 2(c))	\$ 114,274	\$ 2,173	\$ 116,447	\$110,908	\$ 2,407	\$ 113,315

	2024	2023
	(in thousands, except percentages)	
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	520%	525%
(b) Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limit In 2(b)2 Above.	\$ 4,939,844	\$ 4,614,168

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	Change During 2024		
	(in thousands)		
	Ordinary	Capital	Total
Gross DTAs	\$ (18,498)	\$ (234)	\$ (18,732)
Statutory valuation allowance	(3,160)	-	(3,160)
Adjusted gross DTAs	(21,658)	(234)	(21,892)
DTAs not admitted	25,024	-	25,024
Net Admitted DTAs	3,366	(234)	3,132
Gross DTLs	(4,774)	(421)	(5,195)
Net DTA after admissibility test	(1,408)	(655)	(2,063)
2(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	503	(1,978)	(1,475)
2(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2	(588)	-	(588)
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	(588)	-	(588)
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	N/A	N/A	48,819
2(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) offset by Gross Deferred Tax Liabilities	3,451	1,744	5,195
2(d) Deferred Tax Assets Admitted as the result of application of SSAP No 101			
Total 2(a) + 2(b) + 2(c))	\$ 3,366	\$ (234)	\$ 3,132

As of December 31, 2024 and 2023, TRC had no unrecognized DTLs. There is no impact of tax planning strategies on the determination of the adjusted DTAs. TRC has not availed itself of tax planning strategies involving reinsurance or Corporate Alternative Minimum Tax.

Federal and foreign income taxes incurred consist of the following major components:

	Years Ended December 31,		
	2024	2023	Change
	(in thousands)		
Current year tax expense (exclusive of tax on net realized capital gains (losses))	\$ 122,650	\$ 108,890	\$ 13,759
Tax charge on net realized capital gains	(582)	(62,753)	62,171
Other	(7,752)	(1,131)	(6,620)
Total federal and foreign income taxes incurred	<u>\$ 114,316</u>	<u>\$ 45,006</u>	<u>\$ 69,310</u>

Included in the 2024 and 2023 federal and foreign income taxes incurred are \$13.6 million and \$7.7 million, respectively, of foreign income taxes incurred by foreign operations of TRC.

The tax effects of temporary differences that gave rise to significant portions of DTAs and DTLs are as follows:

	As of December 31,			
	2024	2023	Change	Character
	(in thousands)			
<u>DTAs arising from book/tax differences in:</u>				
Loss & LAE reserves	\$ 63,326	\$ 58,431	\$ 4,895	Ordinary
Unearned premium reserve	43,331	42,020	1,311	Ordinary
Investments	38,621	57,931	(19,310)	Ordinary
Investments	2,173	2,407	(234)	Capital
Fixed Assets	821	1,246	(425)	Ordinary
Compensation and benefits accrual	27,754	23,931	3,823	Ordinary
Pension accrual	4,068	3,200	868	Ordinary
Non-admitted receivables	1,502	534	968	Ordinary
Tax credit carry forward	61,640	64,482	(2,842)	Ordinary
Other	11,310	19,095	(7,785)	Ordinary
Gross DTAs	<u>254,546</u>	<u>273,277</u>	<u>(18,731)</u>	
Statutory valuation adjustment	(67,642)	(64,482)	(3,160)	Ordinary
Non-admitted DTAs	<u>(70,457)</u>	<u>(95,481)</u>	<u>25,024</u>	
Total DTAs admitted	<u>\$ 116,447</u>	<u>\$ 113,314</u>	<u>\$ 3,133</u>	

	As of December 31,			
	2024	2023	Change	Character
	(in thousands)			
<u>DTLs arising from book/tax differences in:</u>				
Investments	\$ 7,362	\$ 2,217	\$ 5,145	Ordinary
Investments	743	321	422	Capital
Fixed Assets	1,458	1,829	(371)	Ordinary
Other	5,707	5,707	-	Capital
Total DTLs	<u>\$ 15,270</u>	<u>\$ 10,074</u>	<u>\$ 5,196</u>	

The change in net deferred income taxes in 2024 is comprised of the following (exclusive of non - admitted assets):

	As of December 31,		
	2024	2023	Change
	(in thousands)		
Total DTAs	\$ 254,546	\$ 273,277	\$ (18,731)
Total DTLs	<u>(15,270)</u>	<u>(10,074)</u>	<u>(5,196)</u>
Net DTAs	239,276	263,203	(23,927)
Statutory valuation adjustment	<u>(67,642)</u>	<u>(64,482)</u>	<u>(3,160)</u>
Net DTAs after statutory valuation allowance	<u>171,634</u>	<u>198,721</u>	<u>(27,087)</u>
Tax effect of unrealized gains/(losses)			13,993
Unrealized translation adjustment			3,839
Change in net deferred income tax			<u>\$ (9,255)</u>

A valuation allowance is provided against deferred tax assets when, in the opinion of management, it is more likely than not that a portion of the deferred tax asset will not be realized. The Company's valuation allowances mainly relate to the branch basket foreign tax credit carryforward where the Company does not expect to generate sufficient branch basket foreign source income within the carryforward period.

Income tax expense from 2022 - 2024 that is available for recoupment in the event of future net losses is shown as follows:

	Ordinary	Capital	Total
	(in thousands)		
2022	\$ -	\$ -	\$ -
2023	89,916	-	89,916
2024	118,158	-	118,158

As of December 31, 2024, TRC did not have any deposits admitted under IRC § 6603.

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before taxes. The significant items causing this difference are as follows for the years ended December 31, 2024 and 2023:

	Year Ended December 31, 2024		
	Amount	Tax Effect	Effective Tax Rate
	(in thousands, except percentages)		
Income before taxes	\$ 585,464	\$ 122,947	21.00 %
Tax exempt interest	-	-	0.00
Dividends received deduction	(30)	(6)	(0.00)
Foreign taxes credits	-	(13,424)	(2.29)
Foreign taxes	-	13,616	2.33
Change in non-admitted assets	1,943	408	0.07
True-up of tax return	-	(13,824)	(2.36)
Intercompany Dividend	(10,000)	(2,100)	(0.36)
IRS Audit Adjustment – prior year foreign tax credits	-	12,262	2.09
Valuation allowance	-	3,160	0.54
Other	2,533	532	0.09
Total	<u>\$ 579,910</u>	<u>\$ 123,571</u>	<u>21.11 %</u>
Federal and foreign income taxes incurred (includes			
tax on net realized capital gains)		\$ 114,316	19.53 %
Change in net deferred income tax		9,255	1.58
Total statutory income taxes		<u>\$ 123,571</u>	<u>21.11 %</u>

	Year Ended December 31, 2023		
	Amount	Tax Effect	Effective Tax Rate
	(in thousands, except percentages)		
Income before taxes	\$ 786,152	\$ 165,092	21.00 %
Tax exempt interest	(649)	(136)	(0.02)
Dividends received deduction	(156)	(33)	(0.00)
Foreign taxes credits	-	(9,363)	(1.19)
Foreign taxes	-	7,731	0.98
Change in non-admitted assets	4,076	856	0.11
True-up of tax return	-	8	0.00
Valuation allowance	-	64,482	8.20
Other	2,045	430	0.06
Total	<u>\$ 791,468</u>	<u>\$ 229,067</u>	<u>29.15 %</u>
Federal and foreign income taxes incurred (includes			
tax on net realized capital gains)		\$ 45,006	5.73 %
Change in net deferred income tax		184,061	23.41
Total statutory income taxes		<u>\$ 229,067</u>	<u>29.15 %</u>

As of December 31, 2024 and 2023, TRC had no liability for unrecognized tax benefits. TRC does not presently anticipate any material change in unrecognized tax benefits during the next twelve months.

Interest and penalties relating to unrecognized tax expenses are recognized in income tax expense, when applicable. There was no material liability for interest or penalties accrued as of December 31, 2024 and 2023. No material interest was received or paid on tax refunds or payments in 2024 and 2023.

No repatriation transition tax liability exists at December 31, 2024 and 2023.

As of December 31, 2024, TRC did not have net operating loss carry-forwards, capital loss carry-forwards, general business or corporate alternative minimum tax credit carry-forwards. As of December 31, 2024, TRC had \$61.6 million of foreign tax credit carry-forwards expiring through the year 2034.

As of December 31, 2023, TRC did not have net operating loss carry-forwards or capital loss carry-forwards. As of December 31, 2023, TRC had \$64.5 million of foreign tax credit carry-forwards expiring through the year 2033.

Income taxes paid (recovered) in 2024 and 2023 consisted of:

	Years Ended December 31,	
	2024	2023
	(in millions)	
Income taxes paid	\$ 142.2	\$ 49.4
Income taxes recovered	(65.2)	0.0
Income taxes (recovered) paid, net	<u>\$ 77.0</u>	<u>\$ 49.4</u>

The following table lists the tax years that remain subject to examination by major tax jurisdiction as of December 31, 2024:

Major Tax Jurisdiction	Open Tax Years
U.S.	2020 - 2024
Australia	2020 - 2024
Canada	2020 - 2024
France	2021 - 2024
Hong Kong	2018 - 2024
Japan	2019 - 2024
Singapore	2022 - 2024
United Kingdom	2020 - 2024

7. Liability for Unpaid Losses and LAE

Activity in the liability for unpaid losses and LAE is summarized as follows:

	Years Ended December 31,	
	2024	2023
	(in thousands)	
At beginning of year:		
Gross unpaid losses and LAE	\$ 10,393,720	\$ 10,058,441
Less reinsurance recoverable	5,014,466	938,350
Net unpaid losses and LAE	5,379,254	9,120,091
Net losses and LAE incurred in respect of losses occurring in:		
Current year	1,810,139	1,674,814
Prior years	(14,520)	(3,979,629)
Total	1,795,619	(2,304,815)
Net losses and LAE paid in respect of losses occurring in:		
Current year	252,393	224,267
Prior years	1,305,419	1,211,755
Total	1,557,812	1,436,022
At end of year:		
Net unpaid losses and LAE	5,617,061	5,379,254
Plus reinsurance recoverable	5,392,371	5,014,466
Gross unpaid losses and LAE	<u>\$ 11,009,432</u>	<u>\$ 10,393,720</u>

Loss and LAE reserves as of December 31, 2023 were \$5.38 billion. In 2024, \$1.31 billion has been paid for incurred losses and LAE attributable to insured events of prior years. Loss and LAE reserves remaining for prior years are \$4.06 billion as of December 31, 2024. Therefore, there has been \$15 million of favorable prior year development in 2024. The \$15 million of favorable development largely reflects favorable development in the special property and reinsurance nonproportional assumed property lines in the 2021 to 2023 accident years, partially offset by unfavorable development in the other liability – occurrence and reinsurance nonproportional assumed liability lines in the 2016 to 2021 accident years. Original estimates are increased or decreased as additional claim information is reported to the Company.

In 2023, incurred losses and loss adjustment expenses attributable to events in prior years decreased by \$3.98 billion. This decrease principally relates to the NICO LPT, as defined in Note 10(a). See Note 10(a) for discussion of the NICO LPT.

Net unpaid loss and LAE includes an anticipated salvage and subrogation recoverable of \$39.3 million and \$46.6 million as of December 31, 2024 and 2023, respectively.

8. Environmental and Asbestos-Related Claims

The liability for net unpaid losses and LAE (for which an analysis of activity is presented in Note 7) includes certain amounts for the reinsurance of risks relating to environmental impairment and

asbestos-related illnesses. Reserves for losses occurring in 1985 and prior generally emanate from contracts underwritten specifically as environmental or asbestos-related coverages rather than from standard general liability coverages, where the environmental or asbestos-related liabilities were neither clearly defined nor specifically excluded.

All environmental and asbestos-related claims reserves carried at year-end for each of the two years in the period ended December 31, 2024, including IBNR, are based upon known facts and current law as of such dates. However, significant uncertainty exists in determining the amount of ultimate liability for environmental impairment and asbestos-related losses, particularly for those occurring in 1985 and prior. This uncertainty is due to inconsistent court resolutions and judicial interpretations with respect to underlying policy intent and coverage and uncertainties as to the allocation of responsibility for resultant damages, among other reasons. Further, possible changes in statutes, laws, regulations, theories of liability and other factors could have a material effect on these liabilities and, accordingly, future earnings. Although TRC is unable at this time to determine whether additional reserves which could have a material adverse effect upon our results of operations, may be necessary in the future, TRC believes that its asbestos related illness and environmental impairment reserves are adequate as of December 31, 2024.

TRC's environmental reserve activity for the years ended December 31, 2024 and 2023, relating to claims incurred in 1985 and prior years is set forth in the following tables:

	<u>2024</u>	<u>2023</u>
	(in thousands)	
Environmental		
Gross of reinsurance:		
Beginning reserve for unpaid losses and LAE	\$ 4,040	\$ 4,554
Incurred losses and LAE	(33)	351
Calendar-year payments for losses and LAE	(31)	(865)
Ending gross reserve for unpaid losses and LAE	<u>\$ 3,976</u>	<u>\$ 4,040</u>

	<u>2024</u>	<u>2023</u>
	(in thousands)	
Environmental		
Net of reinsurance:		
Beginning reserve for unpaid losses and LAE	\$ 1,701	\$ 3,874
Incurred losses and LAE	-	(1,777)
Calendar-year payments for losses and LAE	(15)	(396)
Ending net reserve for unpaid losses and LAE	<u>\$ 1,686</u>	<u>\$ 1,701</u>

As of December 31, 2024, ending reserves for IBNR included in the environmental reserves totaled \$2.5 million on a gross of reinsurance basis and \$1.0 million on a net of reinsurance basis. The amount of ending reserves for LAE included in the environmental reserves totaled \$0.1 million on a gross of reinsurance basis and less than \$0.1 million on a net of reinsurance basis.

TRC's asbestos-related reserve activity for the years ended December 31, 2024 and 2023, relating to claims incurred in 1985 and prior years arising principally from general liability coverages is set forth in the following tables:

	2024	2023
	(in thousands)	
Asbestos		
Gross of reinsurance:		
Beginning reserve for unpaid losses and LAE	\$ 28,784	\$ 30,787
Incurred losses and LAE	1,324	616
Calendar-year payments for losses and LAE	(3,126)	(2,619)
Ending gross reserve for unpaid losses and LAE	<u>\$ 26,982</u>	<u>\$ 28,784</u>
	2024	2023
	(in thousands)	
Asbestos		
Net of reinsurance:		
Beginning reserve for unpaid losses and LAE	\$ 13,093	\$ 28,046
Incurred losses and LAE	588	(13,814)
Calendar-year payments for losses and LAE	(1,412)	(1,139)
Ending net reserve for unpaid losses and LAE	<u>\$ 12,269</u>	<u>\$ 13,093</u>

As of December 31, 2024, ending reserves for IBNR included in the asbestos-related reserves totaled \$13.3 million on a gross of reinsurance basis and \$6.2 million on a net of reinsurance basis. The amount of ending reserves for LAE included in the asbestos-related reserves totaled \$3.6 million on a gross of reinsurance basis and \$1.3 million on a net of reinsurance basis.

9. Certain Employee Benefit Plans

Certain TRC employees participate in defined benefit pension, defined contribution pension and other postretirement benefit plans sponsored and maintained by TRH, TransRe London Services Limited, and TransRe Europe Services, Ltd. TRC has no direct legal obligation for benefits under these plans. For plans sponsored and maintained by TRH, TRC is charged for the expenses related to TRC's employees. For plans sponsored and maintained by TransRe London Services, Ltd. and TransRe Europe Services, Ltd., TRC is charged based on the management agreement with those companies.

The charges made to operations for these plans and plans sponsored and maintained by affiliates were \$13.8 million and \$12.5 million for 2024 and 2023, respectively.

10. Related Party Transactions

a. Transactions with National Indemnity Company (“NICO”)

Effective January 1, 2023, the Company entered into a quota share agreement of reinsurance (the NICO QS”) with NICO, an affiliate of the Company, covering 50% of the liabilities from the subject business in-force or written by TRC’s U.S. offices, which includes TRC’s Bermuda branch business and excludes the business written by TRC’s other branch offices (“TRC-NY”) on or after January 1, 2023 with respect to occurrences on or after January 1, 2023. The subject business written by TRC-NY includes certain business written by certain branches of TRC that is assumed by FAIRCO and retroceded 100% to TRC (see Note 10b below).

Effective January 1, 2023, the Company entered into a loss portfolio agreement of reinsurance (the “NICO LPT”) with NICO, covering 50% of the liabilities from the subject business written by TRC-NY on or before December 31, 2022 with respect to occurrences on or before December 31, 2022. The subject business written by TRC-NY includes certain business written by certain branches of TRC that is assumed by FAIRCO and retroceded 100% to TRC. The accounting treatment for the NICO LPT resulted in no gain or loss, and no impact to statutory surplus. The NICO LPT is a retroactive reinsurance agreement with an affiliate where consideration was equal to 50% of the subject business loss reserves net of external reinsurance, which was ceded, resulting in no gain or loss. The NICO LPT was therefore accounted for as prospective reinsurance pursuant to Statement of Statutory Accounting Principles (“SSAP”) No. 62 – Revised, Property and Casualty Reinsurance, paragraph 36(d), and included in TRC’s underwriting schedules, with consideration being recorded as ceded earned premium, and the reinsurance recoveries booked as ceded losses incurred. The result for the accounting treatment is to decrease the net incurred loss and expenses for all accident years and increase ceded earned premium (i.e., decrease net earned premium) for accident year 2023. Further, TRC's loss and LAE reserve development is impacted by the amount of those reserves ceded.

If TRC's accounting treatment for the NICO LPT was governed by SSAP No. 62 Paragraph 31, TRC's net premiums earned and loss and loss adjustment expenses incurred would have been as follows:

	2024	2023
	(in thousands)	
Pro-forma Schedule P, Part 1, Column 3, Net premiums earned	\$ 2,752,928	\$ 3,443,058
Losses and loss adjustment expenses	1,813,442	2,241,431

For the years ended December 31, 2024 and 2023, TRC ceded \$2.48 billion and \$7.06 billion, respectively, of written premiums to NICO under these agreements.

b. Transactions with FAIRCO

Effective June 30, 2021, FAIRCO entered into an assumed 75% whole account quota share reinsurance agreement and, effective July 1, 2021, an excess of loss reinsurance agreement covering certain lines of business, with the Australian branch of TRC. FAIRCO then fully retrocedes this business to TRC.

Effective July 1, 2021, FAIRCO entered into an assumed 100% quota share reinsurance agreement covering certain lines of business with the Japanese branch of TRC. FAIRCO then fully retrocedes this business to TRC.

Effective January 1, 2023, FAIRCO entered into an assumed 100% whole account quota share reinsurance agreement covering all lines of business with the Singapore branch of TRC. This business was 100% retroceded to TRC.

Effective January 1, 2023, FAIRCO entered into an assumed 90% whole account quota share reinsurance agreement covering all lines of business with the Hong Kong branch of TRC. This business was 100% retroceded to TRC.

Effective May 1, 2023, FAIRCO entered into an assumed excess of loss reinsurance agreement covering losses arising from earthquake with the Canadian branch of TRC. Effective May 1, 2023, business was 100% retroceded to TRC.

For all other insurance and reinsurance risks, FAIRCO has a 90% quota share reinsurance agreement with TRC, of which TRC is the reinsurer.

For the year ended December 31, 2024 and 2023 TRC had assumed written premiums of \$427.8 million and \$313.7 million, respectively, and ceded written premiums of \$228.1 million and \$178.5 million, respectively, with FAIRCO under these agreements.

In 2024 and 2023, TRC provided certain management services to FAIRCO. TRC was a party to a management agreement with FAIRCO, which allocated costs for these services to FAIRCO. TRC charged FAIRCO \$5.3 million and \$6.1 million for these services in 2023 and 2023, respectively.

There were no dividends declared or paid by FAIRCO to TRC in 2024 and 2023.

c. Transactions with FASIC

FASIC and TRC have in place a quota share reinsurance agreement, effective June 30, 2015, where FASIC will cede a 95.5% quota share of all tax opinion liability risks to TRC. For all other insurance and reinsurance risks, FASIC and TRC have in place a 90% quota share reinsurance agreement, effective July 1, 2013. For the year ended December 31, 2024 and 2023 TRC assumed written premiums of \$66.6 million and \$39.6 million, respectively.

There was no dividend declared or paid by FASIC to TRC in 2024 and 2023.

d. Transactions with TRH

TRH and TRC reimburse each other for certain expenses incurred on the other's behalf, including operating and administrative expenses. As of December 31, 2024 and 2023, a net payable to TRH of \$4.1 million and \$3.0 million, respectively, was included in other liabilities. For the year ended December 31, 2024 the expenses incurred related to TRH's retirement plans is as follows:

- (1) Defined benefit pension plan was \$1.1 million and \$0.8 million for the year ended December 31, 2024 and 2023, respectively.
- (2) Defined contribution plan was \$12.7 million and \$11.5 million for the year ended December 31, 2024 and 2023, respectively.
- (3) Other postretirement benefits plan was (\$0.1) million and less than (\$0.1) million for the year ended December 31, 2024 and 2023, respectively.

TRC employees participate in TRH's long term incentive compensation plans, which are cash-based plans which provide equity-like incentives to key employees. Expenses relating to long term compensation plans totaled \$44.9 million and \$44.1 million for the year ended December 31, 2024 and 2023, respectively.

In 2024, TRC paid the following ordinary dividends to TRH:

2024	
Date	Amount
	(in thousands)
10/28/2024	\$ 250,000
Total	<u>\$ 250,000</u>

There were no dividends declared or paid to THI in 2023.

e. Transactions with Alleghany and Subsidiaries of Alleghany

Certain subsidiaries of RSUI Group, Inc. (collectively, "RSUI")

In the normal course of business, TRC provides reinsurance coverage to RSUI, an indirect, wholly-owned subsidiary of Alleghany, based upon TRC's assessment of risk selection, pricing, terms and conditions and other relevant factors. TRC has generally not set terms and conditions as lead underwriter with respect to the treaty reinsurance purchased by RSUI.

Approximately \$89.5 million and \$28.5 million of gross premiums written by TRC in 2024 and 2023, respectively, was from reinsurance coverage provided to RSUI.

Investment Management Agreement

Pursuant to an investment management agreement between TRC and Roundwood Asset Management LLC ("Roundwood"), an indirect, wholly-owned subsidiary of Alleghany, dated July 1, 2014, Roundwood provided investment management services to TRC in 2023. Net investment income for 2023 was reduced by investment management expenses of (\$0.1) million, respectively,

incurred from Roundwood. This agreement replaced the previous investment management agreement, dated March 6, 2012 between TRC and Alleghany Capital Partners, LLC, which changed its name to Roundwood in 2014.

CapSpecialty, Inc. and its subsidiaries (collectively “CapSpecialty”)

Effective January 1, 2014, CapSpecialty, an indirect, wholly-owned subsidiary of Alleghany, was recapitalized pursuant to a series of transactions which included the exchange with Alleghany Insurance Holdings LLC (“AIHL”) of its common stock in CapSpecialty for Series A Convertible Preferred Stock carrying a 7% preference (“Preferred Stock”) and the subsequent sale by AIHL to TRC of 24.9% of the Preferred Stock for a cash purchase price based on December 31, 2013 book value determined in accordance with GAAP. The dividend was 7% for 2015 and 5% for 2016 and beyond. In connection with this transaction, Professional Risk Management Services, Inc., previously 80% owned indirectly by TRH, became a wholly-owned subsidiary of CapSpecialty. TRC also maintains an 80% quota share reinsurance agreement on property business ceded to CapSpecialty.

On August 26, 2020 the preferred stock was redeemed for \$101.0 million resulting in a realized gain of \$27.2 million. Effective October 1, 2020, TRH purchased all of the common stock of Professional Risk Management Services, Inc (“PRMS”) in a book value transaction of \$0.4 million.

In the normal course of business, TRC provides reinsurance coverage to certain subsidiaries of CapSpecialty based upon TRC's assessment of risk selection, pricing, terms and conditions and other relevant factors.

Approximately \$27.8 million and \$2.7 million of gross premiums written by TRC in 2024 and 2023, respectively, was from reinsurance coverage provided to CapSpecialty.

f. Transactions with TRLL and TransRe London Services Limited (“TLS”)

TRC and TRLL, a subsidiary of TRC, have a quota share reinsurance agreement where TRLL cedes 80% of the underwriting activity assumed from its participation under certain reinsurance contracts.

In 2024 and 2023, TRC recorded approximately \$668.7 million and \$530.2 million in assumed written premium, respectively, under this reinsurance agreement.

TRC was charged \$2.7 million in 2024 and \$2.8 million in 2023 for management services provided by TLS.

Effective December 14, 2015, TRC entered into a Capital Support Guarantee Agreement with TRLL, whereby, during the term of the agreement, TRC agreed to cause TRLL to have at all times regulatory capital in an amount no less than 120% of the minimum solvency capital requirement as calculated in accordance with the requirements set forth by the regulatory authority responsible for the prudential regulation and supervision of TRLL, the provisions of the Solvency II Directive, the Commission Delegated Regulation and implementing Regulations supporting the Solvency II Directive and the Guidelines published by European Insurance and Occupational Pensions Authority (“EIOPA”). This agreement replaced in its entirety the previous Capital Support Guarantee Agreement, dated November 17, 2014, between TRC and TRLL.

TRLL declared and paid a dividend of \$10 million to TRC in 2024. There were no dividends declared or paid by TRLL in 2023.

g. Transactions with TRESA

TRC and TRESA, a subsidiary of TRC, have reinsurance agreements in place. Under these agreements, TRC recorded \$235.9 million and \$200.1 million in assumed premiums written in 2024 and 2023, respectively. TRC recorded (\$0.4) million and (\$1.2) million in return of ceded premiums written in 2024 and 2023, respectively.

TRC was charged \$1.5 million in 2024 and \$1.2 million in 2023 for management services provided by TRESA.

Effective July 1, 2019, the Company entered into a Capital Support Guarantee Agreement with TRESA, whereby, during the term of the agreement, the Company agreed to cause TRESA to have at all times regulatory capital in an amount no less than 120% of the minimum solvency capital requirement as calculated in accordance with the requirements set forth by the regulatory authority responsible for the prudential regulation and supervision of TRESA, the provisions of the Solvency II Directive, the Commission Delegated Regulation and implementing Regulations supporting the Solvency II Directive and the Guidelines published by EIOPA.

TRESA declared and paid a dividend of \$10 million to TRC in 2024. There were no dividends declared or paid by TRESA in 2023.

h. Transactions with Calpe

Effective January 3, 2017, TRC entered into a Capital Support Guarantee Agreement with Calpe, whereby, during the term of the agreement, TRC agreed to cause Calpe to have at all times regulatory capital in an amount no less than a minimum solvency capital requirement as calculated in accordance with the requirements set forth by the regulatory authority responsible for the supervision of Calpe. This agreement replaced in its entirety the previous Capital Support Guarantee Agreement, dated October 3, 2016, between TRC and Calpe.

TRC has minor reinsurance relationships with Calpe.

i. Transactions with New England Asset Management, Inc. (“NEAM”)

The Company received certain investment management and investment accounting services from NEAM. In 2024 and 2023, the Company paid \$0.5 million and \$2.1 million, respectively, for these services.

j. Tax Sharing Agreements

Effective January 1, 2023, the Company entered into a Tax Allocation Agreement with Alleghany which provides for the allocation of the consolidated income tax liability on a separate return basis with a current credit for losses. However, any tax deduction, inclusion or attribute calculated at the consolidated level shall be calculated at the required level and allocated to the companies in a manner that is compliant with pertinent tax regulations except that Alleghany agrees to not allocate and charge the Company the Alternative Minimum Tax under Internal Revenue Code Section 55.

11. Statutory Dividend Restriction

The payment of dividends by TRC is restricted by state insurance regulations. Under New York insurance law, TRC may pay cash dividends only from its statutory earned surplus. Generally, the maximum amount of dividends that TRC may pay without regulatory approval in any twelve-month period is the lesser of adjusted net investment income or 10% of statutory policyholders' surplus as of the end of the most recently reported quarter unless the NYSDFS, upon prior application, approves a greater dividend distribution. Adjusted net investment income is defined for this purpose to include net investment income for the thirty-six months immediately preceding the declaration or distribution of the current dividend less any dividends declared or distributed during the period commencing thirty-six months prior to the declaration or distribution of the current dividend and ending twelve months prior thereto.

As of December 31, 2024, within the limitations above, the Company could pay ordinary dividends of \$504.1 million to stockholders in 2025.

12. Reinsurance

TRC's ceded reinsurance agreements consist of pro rata and excess-of-loss contracts. Under pro rata reinsurance, TRC and its retrocessionnaires share premiums, losses and expenses in an agreed upon proportion. For consideration, generally based on a percentage of premiums of the individual policy or policies subject to the reinsurance agreement, excess-of-loss contracts provide reimbursement to TRC for losses in excess of a predetermined amount up to a predetermined limit.

Amounts deducted for reinsurance retroceded to other companies during 2024 and 2023 were as follows:

	2024			As of December 31, 2024
	Premiums Written	Premiums Earned	Losses and LAE Incurred	Unpaid Losses and LAE
	(in thousands)			
Assumed	\$ 6,139,788	\$ 6,072,747	\$ 3,582,871	\$ 11,009,432
Ceded	3,355,653	3,319,819	1,787,252	5,392,371
Net	<u>\$ 2,784,135</u>	<u>\$ 2,752,928</u>	<u>\$ 1,795,619</u>	<u>\$ 5,617,061</u>

	2023			As of December 31, 2023
	Premiums Written	Premiums Earned	Losses and LAE Incurred	Unpaid Losses and LAE
	(in thousands)			
Assumed	\$ 5,729,725	\$ 5,598,013	\$ 3,261,261	\$ 10,393,720
Ceded	7,838,089	6,899,220	5,566,076	5,014,466
Net	<u>\$ (2,108,364)</u>	<u>\$ (1,301,207)</u>	<u>\$ (2,304,815)</u>	<u>\$ 5,379,254</u>

Ceded reinsurance arrangements do not relieve TRC from its obligations to the insurers and reinsurers from whom it assumes business. The failure of retrocessionaires to honor their obligations could result in losses to TRC; consequently, a statutory Provision for Reinsurance is carried as a liability in the Statements of Admitted Assets, Liabilities and Policyholders' Surplus.

With respect to certain reinsurance recoverables, TRC holds substantial amounts of funds and letters of credit which can be drawn on for amounts remaining unpaid beyond contract terms. As of December 31, 2024, TRC's largest unsecured reinsurance recoverables was from NICO and totaled \$4.57 billion.

As of December 31, 2024 and 2023, the amounts of unearned premium reserve from reinsurance assumed, net of reinsurance ceded and related commission equity, are as follows:

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Unearned Premium Reserve	Commission Equity	Unearned Premium Reserve	Commission Equity	Unearned Premium Reserve	Commission Equity
	(in thousands)					
2024						
Subsidiaries and affiliates	\$ 585,586	\$ 176,105	\$ 90,948	\$ 27,527	\$ 494,638	\$ 148,578
All Other	1,511,860	359,733	974,808	187,579	537,052	172,154
Total	<u>\$ 2,097,446</u>	<u>\$ 535,838</u>	<u>\$ 1,065,756</u>	<u>\$ 215,106</u>	<u>\$ 1,031,690</u>	<u>\$ 320,732</u>
	Assumed Reinsurance		Ceded Reinsurance		Net	
	Unearned Premium Reserve	Commission Equity	Unearned Premium Reserve	Commission Equity	Unearned Premium Reserve	Commission Equity
	(in thousands)					
2023						
Subsidiaries and affiliates	\$ 427,753	\$ 131,248	\$ 976,624	\$ 140,532	\$ (548,871)	\$ (9,284)
All Other	1,602,652	389,115	53,298	8,753	1,549,354	380,362
Total	<u>\$ 2,030,405</u>	<u>\$ 520,363</u>	<u>\$ 1,029,922</u>	<u>\$ 149,285</u>	<u>\$ 1,000,483</u>	<u>\$ 371,078</u>

Commission equity represents the amount of return commission that would be due from ceding companies (under assumed reinsurance agreements) or to reinsurers (under ceded reinsurance agreements) if all such agreements were cancelled as of December 31, 2024 and the respective amounts

of unearned premium reserves were returned. Commission equity amounts are based on the fixed or provisional commission rates on assumed or ceded business.

The additional or return commission, predicated on loss experience or on any other form of profit-sharing arrangements in 2024 as a result of existing contractual arrangements is accrued as follows (in thousands):

	<u>Direct</u>	<u>Assumed</u>	<u>Ceded</u>	<u>Net</u>
	(in thousands)			
(a) Contingent Commission	\$ -	\$ 24,346	\$ 3,003	\$ 21,343
(b) Sliding Scale Adjustments	-	(49,297)	(4,007)	(45,290)
(c) Other Profit Commission Arrangements	-	1,451	69	1,382
(d) Total	<u>\$ -</u>	<u>\$ (23,500)</u>	<u>\$ (935)</u>	<u>\$ (22,565)</u>

As of December 31, 2024 and 2023, there were no material reinsurance recoverables in dispute.

TRC does not use protected cells as an alternative to reinsurance.

The Company has two active retroactive reinsurance agreements as of December 31, 2024. As of December 31, 2024 and 2023, the total restricted surplus was each \$6.3 million. This restricted surplus is related to two treaties: 1) to an adverse verdict treaty and 2) a treaty signed past the statutory threshold.

In March 2019, the Company issued a catastrophe bond through Bowline Re Ltd (“Bowline”) also with \$250 million of aggregate maximum proceeds. This bond matured in 2023.

In May 2022, the Company issued another catastrophe bond through Bowline with \$165 million of aggregate maximum proceeds. This bond matures in 2025.

13. Major Sources of Business

Three largest international brokers accounted for assumed premiums equal to 23%, 22% and 7% in 2024, respectively, and 24%, 24% and 6% in 2023, respectively, of gross premiums written. The Company’s largest single customer accounted for approximately 8% and 8% of gross premiums written in 2024 and 2023, respectively.

14. Commitments and Contingent Liabilities

a. Legal Proceedings

TRC, in common with the reinsurance industry in general, is subject to litigation in the normal course of business. TRC does not believe that any pending litigation will have a material adverse effect on its results of operations, financial position or cash flows.

In addition, from time to time, regulators commence investigations into insurance and reinsurance-industry practices. TRC has cooperated, and will continue to cooperate, in producing documents and other information in response to subpoenas and other requests. While TRC does not

believe that any of these inquiries will have a material impact on TRC's business or financial results, it is not possible to predict with any certainty at this time what impact, if any, these inquiries may have on TRC's business or financial results.

b. Leases

Rental expense for 2024 and 2023 was approximately \$10.7 million and \$11.2 million, respectively.

As of December 31, 2024, the future minimum aggregate rental commitments are as follows:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>
	(in thousands)
2025	\$ 11,383
2026	10,048
2027	10,058
2028	9,782
2029	6,577
Thereafter	1,612
	<u>\$ 49,460</u>

Certain rental commitments have renewal lease options, some of which are subject to adjustments in future periods.

c. Commitments to invest in limited partnerships

As of December 31, 2024, TRC had commitments to invest in limited partnerships of \$14.7 million.

d. Contingent commitments

Contingent commitments exist with respect to reinsurance ceded, which would become liabilities of TRC in the event assuming reinsurers were unable to meet their obligations.

e. Federal Home Loan Bank ("FHLB") Agreements

Effective January 23, 2017, the Company became a member of the Federal Home Loan Bank of New York. Through its membership, the Company has conducted business activity with the FHLB. It is part of the Company's strategy to utilize these funds as backup liquidity. The Company has determined the actual maximum borrowing capacity as \$682.4 million as of December 31, 2024. The Company calculated this amount in accordance with current FHLB capital stock. There is no collateral pledged to the FHLB and there are no borrowings from the FHLB.

15. Subsequent Events

Management has evaluated subsequent events for recognition in the financial statements through May 21st, 2025, the date its financial statements were available for issuance. Subsequent events affecting the realization of assets or the settlement of estimated liabilities occurring after this date have not been recognized or disclosed in the financial statements.

The Los Angeles wildfires in early 2025 will adversely impact the Company's results of operations, financial position and cash flows in 2025 and future periods. Preliminary estimates of 2025 net losses and LAE incurred related to these wildfires are \$114.9 million. The Company's financial statements as of and for the year ended December 31, 2025 will include re-estimated impacts of these wildfire losses.