

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Quarterly Period Ended June 30, 2024

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  
For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number 1-15202

W. R. BERKLEY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

22-1867895  
(I.R.S. Employer Identification No.)

475 Steamboat Road  
(Address of principal executive offices)

Greenwich Connecticut

06830  
(Zip Code)

(203) 629-3000

(Registrant's telephone number, including area code)

None

Former name, former address and former fiscal year, if changed since last report.

Securities registered pursuant to Section 12(b) of the Act:

Title	Trading Symbol	Name
Common Stock, par value \$.20 per share	WRB	New York Stock Exchange
5.700% Subordinated Debentures due 2058	WRB-PE	New York Stock Exchange
5.100% Subordinated Debentures due 2059	WRB-PF	New York Stock Exchange
4.250% Subordinated Debentures due 2060	WRB-PG	New York Stock Exchange
4.125% Subordinated Debentures due 2061	WRB-PH	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of shares of common stock, \$.20 par value, outstanding as of July 29, 2024: 380,550,600

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Part I — FINANCIAL INFORMATION

Item 1. Financial Statements

W. R. BERKLEY CORPORATION AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	June 30, 2024	December 31, 2023
	(Unaudited)	(Audited)
<b>Assets</b>		
<b>Investments:</b>		
Fixed maturity securities (amortized cost of \$21,911,417 and \$20,915,245; allowance for expected credit losses of \$21,871 and \$36,751 at June 30, 2024 and December 31, 2023, respectively)	\$ 21,082,676	\$ 20,178,308
Investment funds	1,589,119	1,621,655
Real estate	1,279,306	1,249,874
Equity securities	1,078,092	1,090,347
Arbitrage trading account	1,221,861	938,049
Loans receivable (net of allowance for expected credit losses of \$1,813 and \$3,004 at June 30, 2024 and December 31, 2023, respectively)	349,325	201,271
Total investments	<u>26,600,379</u>	<u>25,279,504</u>
Cash and cash equivalents	1,580,270	1,363,195
Premiums and fees receivable (net of allowance for expected credit losses of \$37,279 and \$35,110 at June 30, 2024 and December 31, 2023, respectively)	3,430,991	3,109,334
Due from reinsurers (net of allowance for expected credit losses of \$10,255 and \$8,404 at June 30, 2024 and December 31, 2023, respectively)	3,501,892	3,534,527
Deferred policy acquisition costs	939,453	861,609
Prepaid reinsurance premiums	814,858	758,927
Trading account receivables from brokers and clearing organizations	40,705	303,614
Property, furniture and equipment	477,034	426,803
Goodwill	184,089	174,597
Accrued investment income	225,214	213,408
Current and deferred federal and foreign income taxes	220,080	220,756
Other assets	894,954	865,556
Total assets	<u>\$ 38,909,919</u>	<u>\$ 37,111,830</u>
<b>Liabilities and Equity</b>		
<b>Liabilities:</b>		
Reserves for losses and loss expenses	\$ 19,567,190	\$ 18,739,652
Unearned premiums	6,332,699	5,922,326
Due to reinsurers	730,407	631,164
Trading account securities sold but not yet purchased	81,273	9,357
Other liabilities	1,573,428	1,503,053
Senior notes and other debt	1,828,422	1,827,951
Subordinated debentures	1,009,449	1,009,090
Total liabilities	<u>31,122,868</u>	<u>29,642,593</u>
<b>Equity:</b>		
Preferred stock, par value \$.10 per share:		
Authorized 5,000,000 shares; issued and outstanding - none	—	—
Common stock, par value \$.20 per share:		
Authorized 1,250,000,000 shares; issued and outstanding, net of treasury shares, 380,646,644 and 384,817,136 shares, respectively	158,705	158,705
Additional paid-in capital	986,892	964,789
Retained earnings	11,669,567	11,040,908
Accumulated other comprehensive loss	(1,033,640)	(925,838)
Treasury stock, at cost, 412,875,299 and 408,704,807 shares, respectively	(4,007,742)	(3,783,133)
Total stockholders' equity	<u>7,773,782</u>	<u>7,455,431</u>
Noncontrolling interests	13,269	13,806
Total equity	<u>7,787,051</u>	<u>7,469,237</u>
Total liabilities and equity	<u>\$ 38,909,919</u>	<u>\$ 37,111,830</u>

See accompanying notes to interim consolidated financial statements.

**W. R. BERKLEY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

(In thousands, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
<b>REVENUES:</b>				
Net premiums written	\$ 3,126,779	\$ 2,811,515	\$ 5,978,070	\$ 5,386,339
Change in net unearned premiums	(280,364)	(258,788)	(367,308)	(342,180)
Net premiums earned	2,846,415	2,552,727	5,610,762	5,044,159
Net investment income	372,129	245,152	691,967	468,551
Net investment (losses) gains:				
Net realized and unrealized (losses) gains on investments	(60,306)	68,647	(48,803)	91,258
Change in allowance for expected credit losses on investments	1,794	(9,993)	16,070	(9,594)
Net investment (losses) gains	(58,512)	58,654	(32,733)	81,664
Revenues from non-insurance businesses	125,705	113,910	246,696	238,110
Insurance service fees	27,597	25,471	52,917	58,328
Other income	698	—	1,196	106
Total revenues	3,314,032	2,995,914	6,570,805	5,890,918
<b>OPERATING COSTS AND EXPENSES:</b>				
Losses and loss expenses	1,780,596	1,569,654	3,444,374	3,108,409
Other operating costs and expenses	892,935	823,682	1,761,524	1,649,255
Expenses from non-insurance businesses	121,120	113,538	239,727	236,306
Interest expense	31,708	31,856	63,436	63,692
Total operating costs and expenses	2,826,359	2,538,730	5,509,061	5,057,662
Income before income taxes	487,673	457,184	1,061,744	833,256
Income tax expense	(115,788)	(101,460)	(247,824)	(181,803)
Net income before noncontrolling interests	371,885	355,724	813,920	651,453
Noncontrolling interests	24	584	460	(1,019)
Net income to common stockholders	\$ 371,909	\$ 356,308	\$ 814,380	\$ 650,434
<b>NET INCOME PER SHARE:</b>				
Basic	\$ 0.93	\$ 0.88	\$ 2.03	\$ 1.59
Diluted	\$ 0.92	\$ 0.87	\$ 2.01	\$ 1.58

See accompanying notes to interim consolidated financial statements.

**W. R. BERKLEY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**  
(In thousands)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Net income before noncontrolling interests	\$ 371,885	\$ 355,724	\$ 813,920	\$ 651,453
Other comprehensive (loss) income:				
Change in unrealized currency translation adjustments	3,227	10,528	(24,343)	15,394
Change in unrealized investment (losses) gains, net of taxes	(13,338)	(113,284)	(83,460)	67,515
Other comprehensive (loss) income	(10,111)	(102,756)	(107,803)	82,909
Comprehensive income	361,774	252,968	706,117	734,362
Noncontrolling interests	23	584	459	(1,018)
Comprehensive income to common stockholders	\$ 361,797	\$ 253,552	\$ 706,576	\$ 733,344

See accompanying notes to interim consolidated financial statements.

**W. R. BERKLEY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)**

(In thousands, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
<b>COMMON STOCK:</b>				
Beginning and end of period	\$ 158,705	\$ 158,705	\$ 158,705	\$ 158,705
<b>ADDITIONAL PAID-IN CAPITAL:</b>				
Beginning of period	\$ 977,573	\$ 955,226	\$ 964,789	\$ 944,632
Restricted stock units issued	(2,950)	1,198	(3,145)	(2)
Restricted stock units expensed	12,269	11,492	25,248	23,286
End of period	\$ 986,892	\$ 967,916	\$ 986,892	\$ 967,916
<b>RETAINED EARNINGS:</b>				
Beginning of period	\$ 11,455,158	\$ 10,296,539	\$ 11,040,908	\$ 10,161,005
Net income to common stockholders	371,909	356,308	814,380	650,434
Dividends (\$0.41, \$0.07, \$0.49 and \$0.47 per share, respectively)	(157,500)	(28,329)	(185,721)	(186,921)
End of period	\$ 11,669,567	\$ 10,624,518	\$ 11,669,567	\$ 10,624,518
<b>ACCUMULATED OTHER COMPREHENSIVE LOSS:</b>				
Unrealized investment losses:				
Beginning of period	\$ (656,476)	\$ (712,107)	\$ (586,354)	\$ (892,905)
Change in unrealized (losses) gains on securities without an allowance for expected credit losses	(5,654)	(116,978)	(76,763)	60,364
Change in unrealized (losses) gains on securities with an allowance for expected credit losses	(7,683)	3,694	(6,696)	7,150
End of period	(669,813)	(825,391)	(669,813)	(825,391)
Currency translation adjustments:				
Beginning of period	(367,054)	(366,810)	(339,484)	(371,676)
Net change in period	3,227	10,528	(24,343)	15,394
End of period	(363,827)	(356,282)	(363,827)	(356,282)
Total accumulated other comprehensive loss	\$ (1,033,640)	\$ (1,181,673)	\$ (1,033,640)	\$ (1,181,673)
<b>TREASURY STOCK:</b>				
Beginning of period	\$ (3,783,074)	\$ (3,387,538)	\$ (3,783,133)	\$ (3,251,429)
Stock exercised/vested	1,265	597	1,324	992
Stock repurchased	(223,763)	(292,467)	(223,763)	(427,619)
Other	(2,170)	(2,873)	(2,170)	(4,225)
End of period	\$ (4,007,742)	\$ (3,682,281)	\$ (4,007,742)	\$ (3,682,281)
<b>NONCONTROLLING INTERESTS:</b>				
Beginning of period	\$ 13,680	\$ 21,608	\$ 13,806	\$ 19,829
(Distribution) contributions	(388)	143	(78)	320
Net (loss) income	(24)	(584)	(460)	1,019
Other comprehensive income (loss), net of tax	1	—	1	(1)
End of period	\$ 13,269	\$ 21,167	\$ 13,269	\$ 21,167

See accompanying notes to interim consolidated financial statements.

**W. R. BERKLEY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(In thousands)

	For the Six Months Ended June 30,	
	2024	2023
<b>CASH FROM OPERATING ACTIVITIES:</b>		
Net income to common stockholders	\$ 814,380	\$ 650,434
Adjustments to reconcile net income to net cash from operating activities:		
Net investment losses (gains)	32,733	(81,664)
Depreciation and (accretion) amortization	(145,062)	6,900
Noncontrolling interests	(460)	1,019
Investment funds	3,873	(993)
Stock incentive plans	26,856	25,085
Change in:		
Arbitrage trading account	51,013	(30,331)
Premiums and fees receivable	(332,640)	(272,849)
Reinsurance accounts	81,755	(242,376)
Deferred policy acquisition costs	(77,772)	(68,414)
Income taxes	27,699	(5,703)
Reserves for losses and loss expenses	852,523	914,169
Unearned premiums	422,409	398,563
Other	(129,742)	(139,771)
Net cash from operating activities	<u>1,627,565</u>	<u>1,154,069</u>
<b>CASH USED IN INVESTING ACTIVITIES:</b>		
Proceeds from sale of fixed maturity securities	1,089,183	623,886
Proceeds from sale of equity securities	253,498	97,916
Distributions from investment funds	21,011	12,963
Proceeds from maturities and prepayments of fixed maturity securities	2,133,775	1,824,819
Purchase of fixed maturity securities	(4,203,540)	(2,833,467)
Purchase of equity securities	(180,350)	(62,485)
Real estate purchased	(44,603)	(7,049)
Change in loans receivable	(148,241)	13,767
Net purchases of property, furniture and equipment	(78,468)	(25,720)
Change in balances due to security brokers	165,430	99,976
Cash received in connection with business disposition	—	94,076
Other	—	127
Net cash used in investing activities	<u>(992,305)</u>	<u>(161,191)</u>
<b>CASH USED IN FINANCING ACTIVITIES:</b>		
Repayment of senior notes and other debt	—	(1,954)
Net proceeds from issuance of debt	420	160
Cash dividends to common stockholders	(185,721)	(186,921)
Purchase of common treasury shares	(223,763)	(427,619)
Other, net	943	324
Net cash used in financing activities	<u>(408,121)</u>	<u>(616,010)</u>
Net impact on cash due to change in foreign exchange rates	(10,064)	(2,656)
Net change in cash and cash equivalents	<u>217,075</u>	<u>374,212</u>
Cash and cash equivalents at beginning of period	1,363,195	1,449,346
Cash and cash equivalents at end of period	<u>\$ 1,580,270</u>	<u>\$ 1,823,558</u>

See accompanying notes to interim consolidated financial statements.

## W. R. Berkley Corporation and Subsidiaries

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

#### (1) General

The unaudited consolidated financial statements, which include the accounts of W. R. Berkley Corporation and its subsidiaries (the "Company"), have been prepared on the basis of U.S. generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, they do not include all the information and notes required by GAAP for annual financial statements. The unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring items, which are necessary to present fairly the Company's financial position and results of operations on a basis consistent with the prior audited consolidated financial statements. Operating results for interim periods are not necessarily indicative of the results that may be expected for the year. All significant intercompany accounts and transactions have been eliminated.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the revenues and expenses reflected during the reporting period. For further information related to areas of judgment and estimates and other information necessary to understand the Company's financial position and results of operations, refer to the audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Reclassifications have been made in the 2023 financial statements as originally reported to conform to the presentation of the 2024 financial statements. The Company reclassified a program management business from the Insurance segment to the Reinsurance & Monoline Excess segment. The reclassified business is a program management business offering support on a nationwide basis for commercial casualty and property program administrators. In addition, share and per share amounts have been adjusted to reflect the 3-for-2 common stock split effected on July 10, 2024.

The income tax provision has been computed based on the Company's estimated annual effective tax rate. The effective income tax rate differs from the federal income tax rate of 21% primarily due to the geographical mix of earnings and larger amounts being subject to tax at a rate greater than the U.S. statutory rate, which was partially offset by tax benefits related to tax-exempt investment income.

#### (2) Per Share Data

The Company presents both basic and diluted net income per share ("EPS") amounts. Basic EPS is calculated by dividing net income by the weighted average number of common shares outstanding during the period (including 17,495,175 and 17,125,284 common shares held in a grantor trust as of June 30, 2024 and 2023, respectively). The common shares held in the grantor trust are for delivery upon settlement of vested but mandatorily deferred restricted stock units ("RSUs"). Shares held by the grantor trust do not affect diluted shares outstanding since the shares deliverable under vested RSUs were already included in diluted shares outstanding. Diluted EPS is based upon the weighted average number of basic and common equivalent shares outstanding during the period and is calculated using the treasury stock method for stock incentive plans. Common equivalent shares are excluded from the computation in periods in which they have an anti-dilutive effect.

The weighted average number of common shares used in the computation of basic and diluted earnings per share was as follows:

(In thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Basic	400,273	406,296	401,295	409,364
Diluted	403,737	409,643	404,679	412,819

#### (3) Recent Accounting Pronouncements and Accounting Policies

*Recently adopted accounting pronouncements:*

All accounting and reporting standards that became effective in 2024 were either not applicable to the Company or their adoption did not have a material impact on the Company.

*Accounting and reporting standards that are not yet effective:*

All recently issued but not yet effective accounting and reporting standards are either not applicable to the Company or are not expected to have a material impact on the Company.

#### (4) Consolidated Statements of Comprehensive (Loss) Income

The following table presents the components of the changes in accumulated other comprehensive (loss) income ("AOCI"):

<b>(In thousands)</b>	<b>Unrealized Investment (Losses) Gains</b>	<b>Currency Translation Adjustments</b>	<b>Accumulated Other Comprehensive (Loss) Income</b>
<b>As of and for the six months ended June 30, 2024</b>			
<u>Changes in AOCI</u>			
Beginning of period	\$ (586,354)	\$ (339,484)	\$ (925,838)
Other comprehensive loss before reclassifications	(156,023)	(24,343)	(180,366)
Amounts reclassified from AOCI	72,563	—	72,563
Other comprehensive loss	(83,460)	(24,343)	(107,803)
Unrealized investment gain related to noncontrolling interest	1	—	1
End of period	<u>\$ (669,813)</u>	<u>\$ (363,827)</u>	<u>\$ (1,033,640)</u>
<u>Amounts reclassified from AOCI</u>			
Pre-tax	\$ 91,852 (1)	\$ —	\$ 91,852
Tax effect	(19,289) (2)	—	(19,289)
After-tax amounts reclassified	<u>\$ 72,563</u>	<u>\$ —</u>	<u>\$ 72,563</u>
<u>Other comprehensive loss</u>			
Pre-tax	\$ (109,937)	\$ (24,343)	\$ (134,280)
Tax effect	26,477	—	26,477
Other comprehensive loss	<u>\$ (83,460)</u>	<u>\$ (24,343)</u>	<u>\$ (107,803)</u>
<b>As of and for the three months ended June 30, 2024</b>			
<u>Changes in AOCI</u>			
Beginning of period	\$ (656,476)	\$ (367,054)	\$ (1,023,530)
Other comprehensive (loss) income before reclassifications	(54,711)	3,227	(51,484)
Amounts reclassified from AOCI	41,373	—	41,373
Other comprehensive (loss) income	(13,338)	3,227	(10,111)
Unrealized investment gain to noncontrolling interest	1	—	1
Ending balance	<u>\$ (669,813)</u>	<u>\$ (363,827)</u>	<u>\$ (1,033,640)</u>
<u>Amounts reclassified from AOCI</u>			
Pre-tax	\$ 52,371 (1)	\$ —	\$ 52,371
Tax effect	(10,998) (2)	—	(10,998)
After-tax amounts reclassified	<u>\$ 41,373</u>	<u>\$ —</u>	<u>\$ 41,373</u>
<u>Other comprehensive (loss) income</u>			
Pre-tax	\$ (20,640)	\$ 3,227	\$ (17,413)
Tax effect	7,302	—	7,302
Other comprehensive (loss) income	<u>\$ (13,338)</u>	<u>\$ 3,227</u>	<u>\$ (10,111)</u>

<b>(In thousands)</b>	<b>Unrealized Investment (Losses) Gains</b>	<b>Currency Translation Adjustments</b>	<b>Accumulated Other Comprehensive (Loss) Income</b>
<b>As of and for the six months ended June 30, 2023</b>			
<b>Changes in AOCI</b>			
Beginning of period	\$ (892,905)	\$ (371,676)	\$ (1,264,581)
Other comprehensive income before reclassifications	99,093	15,394	114,487
Amounts reclassified from AOCI	(31,578)	—	(31,578)
Other comprehensive income	67,515	15,394	82,909
Unrealized investment loss related to noncontrolling interest	(1)	—	(1)
End of period	<u>\$ (825,391)</u>	<u>\$ (356,282)</u>	<u>\$ (1,181,673)</u>
<b>Amounts reclassified from AOCI</b>			
Pre-tax	\$ (39,972) <sup>(1)</sup>	\$ —	\$ (39,972)
Tax effect	8,394 <sup>(2)</sup>	—	8,394
After-tax amounts reclassified	<u>\$ (31,578)</u>	<u>\$ —</u>	<u>\$ (31,578)</u>
<b>Other comprehensive income</b>			
Pre-tax	\$ 87,978	\$ 15,394	\$ 103,372
Tax effect	(20,463)	—	(20,463)
Other comprehensive income	<u>\$ 67,515</u>	<u>\$ 15,394</u>	<u>\$ 82,909</u>
<b>As of and for the three months ended June 30, 2023</b>			
<b>Changes in AOCI</b>			
Beginning of period	\$ (712,107)	\$ (366,810)	\$ (1,078,917)
Other comprehensive (loss) income before reclassifications	(56,122)	10,528	(45,594)
Amounts reclassified from AOCI	(57,162)	—	(57,162)
Other comprehensive (loss) income	(113,284)	10,528	(102,756)
Unrealized investment loss related to noncontrolling interest	—	—	—
Ending balance	<u>\$ (825,391)</u>	<u>\$ (356,282)</u>	<u>\$ (1,181,673)</u>
<b>Amounts reclassified from AOCI</b>			
Pre-tax	\$ (72,357) <sup>(1)</sup>	\$ —	\$ (72,357)
Tax effect	15,195 <sup>(2)</sup>	—	15,195
After-tax amounts reclassified	<u>\$ (57,162)</u>	<u>\$ —</u>	<u>\$ (57,162)</u>
<b>Other comprehensive (loss) income</b>			
Pre-tax	\$ (144,043)	\$ 10,528	\$ (133,515)
Tax effect	30,759	—	30,759
Other comprehensive (loss) income	<u>\$ (113,284)</u>	<u>\$ 10,528</u>	<u>\$ (102,756)</u>

(1) Net investment (losses) gains in the consolidated statements of income.

(2) Income tax expense in the consolidated statements of income.

##### (5) Statements of Cash Flows

Interest payments were \$63,051,000 and \$62,983,000 for the six months ended June 30, 2024 and 2023, respectively. Income taxes paid were \$165,739,000 and \$158,000,000 for the six months ended June 30, 2024 and 2023, respectively.

**(6) Investments in Fixed Maturity Securities**

At June 30, 2024 and December 31, 2023, investments in fixed maturity securities were as follows:

<b>(In thousands)</b>	<b>Amortized Cost</b>	<b>Allowance for Expected Credit Losses (1)</b>	<b>Gross Unrealized</b>		<b>Fair Value</b>	<b>Carrying Value</b>
			<b>Gains</b>	<b>Losses</b>		
<b>June 30, 2024</b>						
<b>Held to maturity:</b>						
State and municipal	\$ 40,983	\$ (34)	\$ 1,766	\$ —	\$ 42,715	\$ 40,949
Residential mortgage-backed	2,615	—	60	—	2,675	2,615
Total held to maturity	43,598	(34)	1,826	—	45,390	43,564
<b>Available for sale:</b>						
U.S. government and government agency	1,869,971	—	6,877	(54,472)	1,822,376	1,822,376
<b>State and municipal:</b>						
Special revenue	1,586,511	—	2,558	(80,860)	1,508,209	1,508,209
State general obligation	416,788	—	1,862	(15,926)	402,724	402,724
Pre-refunded	88,086	—	269	(377)	87,978	87,978
Corporate backed	171,007	(339)	582	(9,918)	161,332	161,332
Local general obligation	390,455	—	1,254	(12,685)	379,024	379,024
Total state and municipal	2,652,847	(339)	6,525	(119,766)	2,539,267	2,539,267
<b>Mortgage-backed:</b>						
Residential	2,206,563	—	7,330	(178,950)	2,034,943	2,034,943
Commercial	567,094	(1,140)	313	(8,216)	558,051	558,051
Total mortgage-backed	2,773,657	(1,140)	7,643	(187,166)	2,592,994	2,592,994
Asset-backed	4,071,678	(889)	5,279	(61,622)	4,014,446	4,014,446
<b>Corporate:</b>						
Industrial	4,026,477	—	9,683	(142,415)	3,893,745	3,893,745
Financial	3,253,805	—	7,899	(65,121)	3,196,583	3,196,583
Utilities	735,920	—	1,614	(25,567)	711,967	711,967
Other	616,007	—	1,247	(7,129)	610,125	610,125
Total corporate	8,632,209	—	20,443	(240,232)	8,412,420	8,412,420
Foreign government	1,867,457	(19,469)	3,306	(193,685)	1,657,609	1,657,609
Total available for sale	21,867,819	(21,837)	50,073	(856,943)	21,039,112	21,039,112
<b>Total investments in fixed maturity securities</b>	<b>\$ 21,911,417</b>	<b>\$ (21,871)</b>	<b>\$ 51,899</b>	<b>\$ (856,943)</b>	<b>\$ 21,084,502</b>	<b>\$ 21,082,676</b>

(1) Represents the amount of impairment that has resulted from credit-related factors. The change in the allowance for expected credit losses is recognized in the consolidated statements of income. Amount excludes unrealized losses relating to non-credit factors.

(In thousands)	Amortized Cost	Allowance for Expected Credit Losses (1)	Gross Unrealized		Fair Value	Carrying Value
			Gains	Losses		
<b>December 31, 2023</b>						
Held to maturity:						
State and municipal	\$ 50,547	\$ (43)	\$ 3,132	\$ —	\$ 53,636	\$ 50,504
Residential mortgage-backed	2,868	—	107	—	2,975	2,868
Total held to maturity	53,415	(43)	3,239	—	56,611	53,372
Available for sale:						
U.S. government and government agency	1,762,997	—	11,403	(57,669)	1,716,731	1,716,731
State and municipal:						
Special revenue	1,682,550	—	5,651	(82,006)	1,606,195	1,606,195
State general obligation	394,429	—	3,550	(16,405)	381,574	381,574
Pre-refunded	103,029	—	1,634	(185)	104,478	104,478
Corporate backed	166,873	(757)	696	(11,973)	154,839	154,839
Local general obligation	396,041	—	3,188	(11,893)	387,336	387,336
Total state and municipal	2,742,922	(757)	14,719	(122,462)	2,634,422	2,634,422
Mortgage-backed:						
Residential	1,773,206	—	12,780	(163,844)	1,622,142	1,622,142
Commercial	657,157	(158)	626	(13,312)	644,313	644,313
Total mortgage-backed	2,430,363	(158)	13,406	(177,156)	2,266,455	2,266,455
Asset-backed	4,252,883	(1,164)	8,527	(73,206)	4,187,040	4,187,040
Corporate:						
Industrial	3,679,219	(40)	24,312	(143,936)	3,559,555	3,559,555
Financial	2,838,220	(4,986)	14,681	(68,681)	2,779,234	2,779,234
Utilities	701,865	—	6,471	(23,412)	684,924	684,924
Other	635,975	—	1,605	(7,234)	630,346	630,346
Total corporate	7,855,279	(5,026)	47,069	(243,263)	7,654,059	7,654,059
Foreign government	1,817,386	(29,603)	15,865	(137,419)	1,666,229	1,666,229
Total available for sale	20,861,830	(36,708)	110,989	(811,175)	20,124,936	20,124,936
Total investments in fixed maturity securities	\$ 20,915,245	\$ (36,751)	\$ 114,228	\$ (811,175)	\$ 20,181,547	\$ 20,178,308

(1) Represents the amount of impairment that has resulted from credit-related factors. The change in the allowance for expected credit losses is recognized in the consolidated statements of income. Amount excludes unrealized losses relating to non-credit factors.

The following table presents the rollforward of the allowance for expected credit losses for held to maturity securities for the six months ended June 30, 2024 and 2023:

(In thousands)	2024	2023
Allowance for expected credit losses, beginning of period	\$ 43	\$ 114
Provision for expected credit losses	(9)	(61)
Allowance for expected credit losses, end of period	\$ 34	\$ 53

The following table presents the rollforward of the allowance for expected credit losses for held to maturity securities for the three months ended June 30, 2024 and 2023:

(In thousands)	2024	2023
Allowance for expected credit losses, beginning of period	\$ 38	\$ 107
Provision for expected credit losses	(4)	(54)
Allowance for expected credit losses, end of period	\$ 34	\$ 53

The following table presents the rollforward of the allowance for expected credit losses for available for sale securities for the six months ended June 30, 2024 and 2023:

(In thousands)	2024						2023					
	Foreign Government	Corporate	Mortgage-backed	Asset-backed	State and Municipal	Total	Foreign Government	Corporate	Mortgage-backed	Asset-backed	Total	
Allowance for expected credit losses, beginning of period	\$ 29,603	\$ 5,026	\$ 158	\$ 1,164	\$ 757	\$ 36,708	\$ 32,633	\$ 4,701	\$ 18	\$ —	\$ 37,352	
Expected credit losses on securities for which credit losses were not previously recorded	300	—	1,701	—	—	2,001	—	186	861	1,444	2,491	
Expected credit (gains) losses on securities for which credit losses were previously recorded	(10,434)	(5,026)	(158)	(275)	(418)	(16,311)	419	3,987	6	—	4,412	
Reduction due to disposals	—	—	(561)	—	—	(561)	—	(7)	—	—	(7)	
Allowance for expected credit losses, end of period	\$ 19,469	\$ —	\$ 1,140	\$ 889	\$ 339	\$ 21,837	\$ 33,052	\$ 8,867	\$ 885	\$ 1,444	\$ 44,248	

During the six months ended June 30, 2024, the Company decreased the allowance for expected credit losses for available for sale securities utilizing its credit loss assessment process and inputs used in its credit loss model, primarily due to improved pricing associated with foreign government securities and corporate securities. During the six months ended June 30, 2023, the Company increased the allowance for expected credit losses for available for sale securities due to changes in economic assumptions utilized in its credit loss model, primarily affecting the financial services and real estate sectors.

The following table presents the rollforward of the allowance for expected credit losses for available for sale securities for the three months ended June 30, 2024 and 2023:

(In thousands)	2024						2023					
	Foreign Government	Corporate	Mortgage-backed	Asset-backed	State and Municipal	Total	Foreign Government	Corporate	Mortgage-backed	Asset-backed	Total	
Allowance for expected credit losses, beginning of period	\$ 20,479	\$ —	\$ 562	\$ 1,097	\$ 693	\$ 22,831	\$ 33,324	\$ 3,795	\$ 23	\$ —	\$ 37,142	
Expected credit losses on securities for which credit losses were not previously recorded	300	—	1,139	—	—	1,439	—	—	861	1,444	2,305	
Expected credit (gains) losses on securities for which credit losses were previously recorded	(1,310)	—	—	(208)	(354)	(1,872)	(272)	5,074	1	—	4,803	
Reduction due to disposals	—	—	(561)	—	—	(561)	—	(2)	—	—	(2)	
Allowance for expected credit losses, end of period	\$ 19,469	\$ —	\$ 1,140	\$ 889	\$ 339	\$ 21,837	\$ 33,052	\$ 8,867	\$ 885	\$ 1,444	\$ 44,248	

The amortized cost and fair value of fixed maturity securities at June 30, 2024, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because certain issuers may have the right to call or prepay obligations.

<b>(In thousands)</b>	<b>Amortized Cost (1)</b>	<b>Fair Value</b>
Due in one year or less	\$ 1,943,246	\$ 1,884,790
Due after one year through five years	9,983,542	9,601,275
Due after five years through ten years	4,262,692	4,152,066
Due after ten years	2,945,631	2,850,702
Mortgage-backed securities	2,776,272	2,595,669
Total	<u>\$ 21,911,383</u>	<u>\$ 21,084,502</u>

(1) Amortized cost is reduced by the allowance for expected credit losses of \$34 thousand related to held to maturity securities.

At June 30, 2024 and December 31, 2023, there were no investments that exceeded 10% of common stockholders' equity, other than investments in United States government and government agency securities.

#### **(7) Investments in Equity Securities**

At June 30, 2024 and December 31, 2023, investments in equity securities were as follows:

<b>(In thousands)</b>	<b>Cost</b>	<b>Gross Unrealized</b>		<b>Fair Value</b>	<b>Carrying Value</b>
		<b>Gains</b>	<b>Losses</b>		
June 30, 2024					
Common stocks	\$ 603,574	\$ 139,146	\$ (46,165)	\$ 696,555	\$ 696,555
Preferred stocks	374,409	19,762	(12,634)	381,537	381,537
Total	<u>\$ 977,983</u>	<u>\$ 158,908</u>	<u>\$ (58,799)</u>	<u>\$ 1,078,092</u>	<u>\$ 1,078,092</u>
December 31, 2023					
Common stocks	\$ 664,997	\$ 191,806	\$ (18,749)	\$ 838,054	\$ 838,054
Preferred stocks	284,335	3,075	(35,117)	252,293	252,293
Total	<u>\$ 949,332</u>	<u>\$ 194,881</u>	<u>\$ (53,866)</u>	<u>\$ 1,090,347</u>	<u>\$ 1,090,347</u>

#### **(8) Arbitrage Trading Account**

At June 30, 2024 and December 31, 2023, the fair and carrying values of the arbitrage trading account were \$1,222 million and \$938 million, respectively. The primary focus of the trading account is merger arbitrage. Merger arbitrage is the business of investing in the securities of publicly held companies which are the targets in announced tender offers and mergers. Arbitrage investing differs from other types of investing in its focus on transactions and events believed likely to bring about a change in value over a relatively short time period (usually four months or less).

The Company uses put options and call options in order to mitigate the impact of potential changes in market conditions on the merger arbitrage trading account. These options are reported at fair value. As of June 30, 2024, the fair value of long option contracts outstanding was \$3 million (notional amount of \$401 million) and the fair value of short option contracts was \$81 million (notional amount of \$401 million). Other than with respect to the use of these trading account securities, the Company does not make use of derivatives.

## (9) Net Investment Income

Net investment income consisted of the following:

<b>(In thousands)</b>	<b>For the Three Months Ended June 30,</b>		<b>For the Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Investment income (loss) earned on:				
Fixed maturity securities, including cash and cash equivalents and loans receivable	\$ 324,136	\$ 217,830	\$ 659,384	\$ 413,473
Arbitrage trading account (1)	16,682	17,037	34,693	35,293
Equity securities	12,386	15,254	23,721	29,000
Investment funds	25,476	(1,186)	(3,873)	993
Real estate	(3,705)	(2,123)	(16,868)	(5,834)
Gross investment income	374,975	246,812	697,057	472,925
Investment expense	(2,846)	(1,660)	(5,090)	(4,374)
Net investment income	<u>\$ 372,129</u>	<u>\$ 245,152</u>	<u>\$ 691,967</u>	<u>\$ 468,551</u>

(1) Net investment income includes earnings from trading account receivables from brokers and clearing organizations.

## (10) Investment Funds

The Company evaluates whether it is an investor in a variable interest entity ("VIE"). Such entities do not have sufficient equity at risk to finance their activities without additional subordinated financial support, or the equity investors, as a group, do not have the characteristics of a controlling financial interest (primary beneficiary). The Company determines whether it is the primary beneficiary of an entity subject to consolidation based on a qualitative assessment of the VIE's capital structure, contractual terms, nature of the VIE's operations and purpose, and the Company's relative exposure to the related risks of the VIE on the date it becomes initially involved in the VIE and on an ongoing basis. The Company is not the primary beneficiary in any of its investment funds, and accordingly, carries its interests in investment funds under the equity method of accounting.

The Company's maximum exposure to loss with respect to these investments is limited to the carrying amount reported on the Company's consolidated balance sheet and its unfunded commitments, which were \$275 million as of June 30, 2024.

Investment funds consisted of the following:

<b>(In thousands)</b>	<b>Carrying Value as of</b>		<b>Income (Loss) from Investment Funds</b>	
	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>For the Six Months Ended June 30,</b>	
			<b>2024</b>	<b>2023</b>
Financial services	\$ 436,057	\$ 433,407	\$ (18,231)	\$ (20,321)
Transportation	306,485	344,278	(3,732)	23,843
Real Estate	198,111	201,625	12,880	2,963
Infrastructure	140,699	130,589	7,828	5,936
Energy	131,719	114,794	8,505	3,439
Other funds	376,048	396,962	(11,123)	(14,867)
Total	<u>\$ 1,589,119</u>	<u>\$ 1,621,655</u>	<u>\$ (3,873)</u>	<u>\$ 993</u>

The Company's share of the earnings or losses from investment funds is generally reported on a one-quarter lag in order to facilitate the timely completion of the Company's consolidated financial statements.

Financial services investment funds include the minority investment in Lifson Re, a Bermuda reinsurance company. Effective January 1, 2021, Lifson Re participated on a fully collateralized basis in a majority of the Company's reinsurance placements for a 22.5% share of placed amounts. The percentage increased from 22.5% to 30.0% effective July 1, 2022. This pertains to all traditional reinsurance/retrocessional placements for both property and casualty business where there is more than

one open market reinsurer participating. For the six months ended June 30, 2024 and 2023, the Company ceded approximately \$206 million and \$281 million, respectively, of written premiums to Lifson Re.

Other funds include deferred compensation trust assets of \$41 million and \$36 million as of June 30, 2024 and December 31, 2023, respectively. These assets support other liabilities reflected in the balance sheet of an equal amount for employees who have elected to defer a portion of their compensation. The change in the net asset value of the trust is recorded in other funds within net investment income with an offsetting equal amount within corporate expenses.

#### (11) Real Estate

Investment in real estate represents directly owned property held for investment, as follows:

	Carrying Value	
	June 30, 2024	December 31, 2023
<b>(In thousands)</b>		
Properties in operation	\$ 1,051,755	\$ 1,022,654
Properties under development	227,551	227,220
Total	\$ 1,279,306	\$ 1,249,874

As of June 30, 2024, properties in operation included a long-term ground lease in Washington, D.C., an office complex in New York City and the completed portion of a mixed-use project in Washington D.C. Properties in operation are net of accumulated depreciation and amortization of \$35,389,000 and \$32,745,000 as of June 30, 2024 and December 31, 2023, respectively. Related depreciation expense was \$4,164,000 and \$4,394,000 for the six months ended June 30, 2024 and 2023, respectively. Future minimum rental income expected on operating leases relating to properties in operation is \$15,013,195 in 2024, \$32,278,604 in 2025, \$33,991,743 in 2026, \$32,850,623 in 2027, \$33,376,327 in 2028, \$31,999,237 in 2029 and \$416,884,751 thereafter.

A mixed-use project in Washington, D.C. had been under development in 2024 and 2023, with the completed portion reported in properties in operation as of June 30, 2024.

#### (12) Loans Receivable

At June 30, 2024 and December 31, 2023, loans receivable were as follows:

	June 30, 2024	December 31, 2023
<b>(In thousands)</b>		
<b>Amortized cost (net of allowance for expected credit losses):</b>		
Real estate loans	\$ 347,742	\$ 200,381
Commercial loans	1,583	890
Total	\$ 349,325	\$ 201,271
<b>Fair value:</b>		
Real estate loans	\$ 347,727	\$ 197,354
Commercial loans	1,583	890
Total	\$ 349,310	\$ 198,244

The real estate loans are secured by commercial and residential real estate primarily located in the UK and New York. These loans generally earn interest at fixed or stepped interest rates and have maturities through 2026. The commercial loans are with small business owners who have secured the related financing with the assets of the business. Commercial loans primarily earn interest on a fixed basis and have varying maturities generally not exceeding 10 years.

The following table presents the rollforward of the allowance for expected credit losses for loans receivable for the six months ended June 30, 2024 and 2023:

(In thousands)	2024			2023		
	Real Estate Loans	Commercial Loans	Total	Real Estate Loans	Commercial Loans	Total
Allowance for expected credit losses, beginning of period	\$ 2,983	\$ 21	\$ 3,004	\$ 1,100	\$ 691	\$ 1,791
Change in expected credit losses	(1,190)	(1)	(1,191)	2,558	201	2,759
Allowance for expected credit losses, end of period	\$ 1,793	\$ 20	\$ 1,813	\$ 3,658	\$ 892	\$ 4,550

During the six months ended June 30, 2024, the Company decreased the allowance for expected credit losses due to a decrease in the weighted average life of the loan portfolio. During the six months ended June 30, 2023, the Company increased the allowance for expected credit losses due to changes in economic assumptions utilized in its credit loss model.

The following table presents the rollforward of the allowance for expected credit losses for loans receivable for the three months ended June 30, 2024 and 2023:

(In thousands)	2024			2023		
	Real Estate Loans	Commercial Loans	Total	Real Estate Loans	Commercial Loans	Total
Allowance for expected credit losses, beginning of period	\$ 2,587	\$ 22	\$ 2,609	\$ 1,039	\$ 570	\$ 1,609
Change in expected credit losses	(794)	(2)	(796)	2,619	322	2,941
Allowance for expected credit losses, end of period	\$ 1,793	\$ 20	\$ 1,813	\$ 3,658	\$ 892	\$ 4,550

The Company monitors the performance of its loans receivable and assesses the ability of the borrower to pay principal and interest based upon loan structure, underlying property values, cash flow and related financial and operating performance of the property and market conditions.

In evaluating the real estate loans, the Company considers their credit quality indicators, including loan to value ratios, which compare the outstanding loan amount to the estimated value of the property, the borrower's financial condition and performance with respect to loan terms, the position in the capital structure, the overall leverage in the capital structure and other market conditions.

**(13) Net Investment (Losses) Gains**

Net investment (losses) gains were as follows:

<b>(In thousands)</b>	<b>For the Three Months Ended June 30,</b>		<b>For the Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Net investment (losses) gains:				
Fixed maturity securities:				
Gains	\$ 3,092	\$ 115	\$ 6,649	\$ 1,058
Losses	(5,362)	(3,640)	(7,685)	(21,770)
Equity securities (1):				
Net realized gains on investment sales (2)	61,521	111,072	101,798	112,132
Change in unrealized (losses) gains	(66,717)	21,260	(40,905)	64,664
Investment funds	217	(98)	1,210	(88)
Real estate (3)	(1,958)	(55,449)	(4,174)	(44,710)
Loans receivable	—	—	—	—
Other (4)	(51,099)	(4,613)	(105,696)	(20,028)
Net realized and unrealized (losses) gains on investments in earnings before allowance for expected credit losses	(60,306)	68,647	(48,803)	91,258
Change in allowance for expected credit losses on investments:				
Fixed maturity securities	998	(7,052)	14,879	(6,835)
Loans receivable	796	(2,941)	1,191	(2,759)
Change in allowance for expected credit losses on investments	1,794	(9,993)	16,070	(9,594)
Net investment (losses) gains	(58,512)	58,654	(32,733)	81,664
Income tax benefit	12,401	(12,587)	5,769	(17,437)
After-tax net investment (losses) gains	\$ (46,111)	\$ 46,067	\$ (26,964)	\$ 64,227
Change in unrealized investment (losses) gains on available for sale securities:				
Fixed maturity securities without allowance for expected credit losses	\$ (11,394)	\$ (148,021)	\$ (99,988)	\$ 79,094
Fixed maturity securities with allowance for expected credit losses	(7,683)	3,694	(6,696)	7,150
Investment funds	(1,338)	462	(3,041)	2,398
Other	(225)	(178)	(212)	(664)
Total change in unrealized investment (losses) gains	(20,640)	(144,043)	(109,937)	87,978
Income tax benefit (expense)	7,302	30,759	26,477	(20,463)
Noncontrolling interests	1	—	1	(1)
After-tax change in unrealized investment (losses) gains of available for sale securities	\$ (13,337)	\$ (113,284)	\$ (83,459)	\$ 67,514

(1) The net realized gains or losses on investment sales represent the total gains or losses from the purchase dates of the equity securities. The change in unrealized (losses) gains consists of two components: (i) the reversal of the gain or loss recognized in previous periods on equity securities sold and (ii) the change in unrealized gain or loss resulting from mark-to-market adjustments on equity securities still held.

(2) In June 2023, the Company completed a sale of the property and casualty insurance services division of Breckenridge IS, Inc. and recognized a pre-tax net realized gain on investment of \$88 million on the sale (proceeds from the sale is presented on the business disposition line within the Consolidated Statements of Cash Flows).

(3) During the second quarter of 2023, the Company recognized an impairment loss of \$51 million on a real estate investment.

(4) Primarily relates to realized foreign currency losses upon the disposition of fixed maturity securities.

**(14) Fixed Maturity Securities in an Unrealized Loss Position**

The following tables summarize all fixed maturity securities in an unrealized loss position at June 30, 2024 and December 31, 2023 by the length of time those securities have been continuously in an unrealized loss position:

(In thousands)	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<b>June 30, 2024</b>						
U.S. government and government agency	\$ 422,945	\$ 3,391	\$ 795,297	\$ 51,081	\$ 1,218,242	\$ 54,472
State and municipal	357,529	4,935	1,758,572	114,831	2,116,101	119,766
Mortgage-backed	530,802	4,258	1,356,573	182,908	1,887,375	187,166
Asset-backed	947,780	4,434	1,079,695	57,188	2,027,475	61,622
Corporate	2,068,015	17,788	4,333,968	222,444	6,401,983	240,232
Foreign government	563,150	15,565	759,174	178,120	1,322,324	193,685
Fixed maturity securities	<u>\$ 4,890,221</u>	<u>\$ 50,371</u>	<u>\$ 10,083,279</u>	<u>\$ 806,572</u>	<u>\$ 14,973,500</u>	<u>\$ 856,943</u>
<b>December 31, 2023</b>						
U.S. government and government agency	\$ 384,392	\$ 6,655	\$ 614,623	\$ 51,014	\$ 999,015	\$ 57,669
State and municipal	264,273	3,013	1,680,034	119,449	1,944,307	122,462
Mortgage-backed	278,819	2,025	1,360,748	175,131	1,639,567	177,156
Asset-backed	413,511	2,070	2,176,035	71,136	2,589,546	73,206
Corporate	874,754	11,975	4,418,309	231,288	5,293,063	243,263
Foreign government	204,908	1,758	794,174	135,661	999,082	137,419
Fixed maturity securities	<u>\$ 2,420,657</u>	<u>\$ 27,496</u>	<u>\$ 11,043,923</u>	<u>\$ 783,679</u>	<u>\$ 13,464,580</u>	<u>\$ 811,175</u>

Substantially all of the securities in an unrealized loss position are rated investment grade, except for the securities in the foreign government classification. A significant amount of the unrealized loss on foreign government securities is the result of changes in currency exchange rates.

A summary of the Company's non-investment grade fixed maturity securities that were in an unrealized loss position at June 30, 2024 is presented in the table below:

(\$ in thousands)	Number of Securities	Aggregate Fair Value	Gross Unrealized Loss
Foreign government	51	\$ 99,230	\$ 159,930
State and municipal	5	24,865	4,838
Corporate	30	42,131	2,651
Mortgage-backed	16	4,107	201
Total	<u>102</u>	<u>\$ 170,333</u>	<u>\$ 167,620</u>

For fixed maturity securities that management does not intend to sell or to be required to sell, the portion of the decline in value that is considered to be due to credit factors is recognized in earnings, and the portion of the decline in value that is considered to be due to non-credit factors is recognized in other comprehensive income (loss).

The Company has evaluated its fixed maturity securities in an unrealized loss position and believes the unrealized losses are due primarily to temporary market and sector-related factors rather than to issuer-specific factors. None of these securities are delinquent or in default under financial covenants. Based on its assessment of these issuers, the Company expects them to continue to meet their contractual payment obligations as they become due.

## (15) Fair Value Measurements

The Company's fixed maturity available for sale securities, equity securities and its arbitrage trading account securities are carried at fair value. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels, as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 - Quoted prices for similar assets or valuations based on inputs that are observable.

Level 3 - Estimates of fair value based on internal pricing methodologies using unobservable inputs. Unobservable inputs are only used to measure fair value to the extent that observable inputs are not available.

Substantially all of the Company's fixed maturity securities were priced by independent pricing services. The prices provided by the independent pricing services are estimated based on observable market data in active markets utilizing pricing models and processes, which may include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, sector groupings, matrix pricing and reference data. The pricing services may prioritize inputs differently on any given day for any security based on market conditions, and not all inputs are available for each security evaluation on any given day. The pricing services used by the Company have indicated that they will only produce an estimate of fair value if objectively verifiable information is available. The determination of whether markets are active or inactive is based upon the volume and level of activity for a particular asset class. The Company reviews the prices provided by pricing services for reasonableness and periodically performs independent price tests of a sample of securities to ensure proper valuation.

If prices from independent pricing services are not available for fixed maturity securities, the Company estimates the fair value. For Level 2 securities, the Company utilizes pricing models and processes which may include benchmark yields, sector groupings, matrix pricing, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, bids, offers and reference data. Where broker quotes are used, the Company generally requests two or more quotes and sets a price within the range of quotes received based on its assessment of the credibility of the quote and its own evaluation of the security. The Company generally does not adjust quotes received from brokers. For securities traded only in private negotiations, the Company determines fair value based primarily on the cost of such securities, which is adjusted to reflect prices of recent placements of securities of the same issuer, financial projections, credit quality and business developments of the issuer and other relevant information.

For Level 3 securities, the Company generally uses a discounted cash flow model to estimate the fair value of fixed maturity securities. The cash flow models are based upon assumptions as to prevailing credit spreads, interest rate and interest rate volatility, time to maturity and subordination levels. Projected cash flows are discounted at rates that are adjusted to reflect illiquidity, where appropriate.

The following tables present the assets and liabilities measured at fair value on a recurring basis as of June 30, 2024 and December 31, 2023 by level:

<b>(In thousands)</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>June 30, 2024</b>				
Assets:				
Fixed maturity securities available for sale:				
U.S. government and government agency	\$ 1,822,376	\$ —	\$ 1,822,376	\$ —
State and municipal	2,539,267	—	2,539,267	—
Mortgage-backed	2,592,994	—	2,592,994	—
Asset-backed	4,014,446	—	4,014,446	—
Corporate	8,412,420	—	8,412,420	—
Foreign government	1,657,609	—	1,657,609	—
Total fixed maturity securities available for sale	<u>21,039,112</u>	<u>—</u>	<u>21,039,112</u>	<u>—</u>
Equity securities:				
Common stocks	696,555	693,294	1,116	2,145
Preferred stocks	381,537	—	377,901	3,636
Total equity securities	<u>1,078,092</u>	<u>693,294</u>	<u>379,017</u>	<u>5,781</u>
Arbitrage trading account	1,221,861	1,061,891	156,377	3,593
Total	<u>\$ 23,339,065</u>	<u>\$ 1,755,185</u>	<u>\$ 21,574,506</u>	<u>\$ 9,374</u>
Liabilities:				
Trading account securities sold but not yet purchased	\$ 81,273	\$ 81,273	\$ —	\$ —

**December 31, 2023**

Assets:				
Fixed maturity securities available for sale:				
U.S. government and government agency	\$ 1,716,731	\$ —	\$ 1,716,731	\$ —
State and municipal	2,634,422	—	2,634,422	—
Mortgage-backed	2,266,455	—	2,266,455	—
Asset-backed	4,187,040	—	4,187,040	—
Corporate	7,654,059	—	7,654,059	—
Foreign government	1,666,229	—	1,666,229	—
Total fixed maturity securities available for sale	<u>20,124,936</u>	<u>—</u>	<u>20,124,936</u>	<u>—</u>
Equity securities:				
Common stocks	838,054	835,338	1,158	1,558
Preferred stocks	252,293	—	248,598	3,695
Total equity securities	<u>1,090,347</u>	<u>835,338</u>	<u>249,756</u>	<u>5,253</u>
Arbitrage trading account	938,049	546,110	388,167	3,772
Total	<u>\$ 22,153,332</u>	<u>\$ 1,381,448</u>	<u>\$ 20,762,859</u>	<u>\$ 9,025</u>
Liabilities:				
Trading account securities sold but not yet purchased	\$ 9,357	\$ 9,357	\$ —	\$ —

The following tables summarize changes in Level 3 assets and liabilities for the six months ended June 30, 2024 and for the year ended December 31, 2023:

**Gains (Losses) Included In:**

(In thousands)	Beginning Balance	Earnings (Losses)	Other Comprehensive Income (Losses)	Impairments	Purchases	Sales	Paydowns / Maturities	Transfers In / (Out)	Ending Balance
<b>Six Months Ended June 30, 2024</b>									
Assets:									
Equity securities:									
Common stocks	\$ 1,558	\$ 715	\$ —	\$ —	\$ —	\$ (128)	\$ —	\$ —	\$ 2,145
Preferred stocks	3,695	(2)	—	—	—	(57)	—	—	3,636
Total	5,253	713	—	—	—	(185)	—	—	5,781
Arbitrage trading account	3,772	(178)	—	—	—	(38)	—	37	3,593
Total	\$ 9,025	\$ 535	\$ —	\$ —	\$ —	\$ (223)	\$ —	\$ 37	\$ 9,374

<b>Year Ended December 31, 2023</b>									
Assets:									
Equity securities:									
Common stocks	\$ 2,599	\$ (1,041)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,558
Preferred stocks	11,299	(3)	—	(7,601)	—	—	—	—	3,695
Total	13,898	(1,044)	—	(7,601)	—	—	—	—	5,253
Arbitrage trading account	3,590	117	—	—	—	—	—	65	3,772
Total	\$ 17,488	\$ (927)	\$ —	\$ (7,601)	\$ —	\$ —	\$ —	\$ 65	\$ 9,025

For both the six months ended June 30, 2024 and the year ended December 31, 2023, one security within the arbitrage trading account portfolio that no longer had a publicly traded price was transferred into Level 3.

## **(16) Reserves for Loss and Loss Expenses**

The Company's reserves for losses and loss expenses are comprised of case reserves and incurred but not reported liabilities ("IBNR"). When a claim is reported, a case reserve is established for the estimated ultimate payment based upon known information about the claim. As more information about the claim becomes available over time, case reserves are adjusted up or down as appropriate. Reserves are also established on an aggregate basis to provide for IBNR liabilities and expected loss reserve development on reported claims.

Loss reserves included in the Company's financial statements represent management's best estimates based upon an actuarially derived point estimate and other considerations. The Company uses a variety of actuarial techniques and methods to derive an actuarial point estimate for each operating unit. These methods include paid loss development, incurred loss development, paid and incurred Bornhuetter-Ferguson methods and frequency and severity methods. In circumstances where one actuarial method is considered more credible than the others, that method is used to set the point estimate. The actuarial point estimate may also be based on a judgmental weighting of estimates produced from each of the methods considered. Industry loss experience is used to supplement the Company's own data in selecting "tail factors" in areas where the Company's own data is limited. The actuarial data is analyzed by line of business, coverage and accident or policy year, as appropriate, for each operating unit.

The establishment of the actuarially derived loss reserve point estimate also includes consideration of qualitative factors that may affect the ultimate losses. These qualitative considerations include, among others, the impact of re-underwriting initiatives, changes in the mix of business, changes in distribution sources and changes in policy terms and conditions.

The key assumptions used to arrive at the best estimate of loss reserves are the expected loss ratios, rate of loss cost inflation, and reported and paid loss emergence patterns. Expected loss ratios represent management's expectation of losses at the time the business is priced and written, before any actual claims experience has emerged. This expectation is a significant determinant of the estimate of loss reserves for recently written business where there is little paid or incurred loss data to consider. Expected loss ratios are generally derived from historical loss ratios adjusted for the impact of rate changes, loss cost trends and known changes in the type of risks underwritten. Expected loss ratios are estimated for each key line of business within each operating unit. Expected loss cost inflation is particularly important for the long-tail lines, such as excess casualty, and claims with a high medical component, such as workers' compensation. Reported and paid loss emergence patterns are used to project current reported or paid loss amounts to their ultimate settlement value. Loss development factors are based on the historical emergence patterns of paid and incurred losses, and are derived from the Company's own experience and industry data. The paid loss emergence pattern is also significant to excess and assumed workers' compensation reserves because those reserves are discounted to their estimated present value based upon such estimated payout patterns.

Loss frequency and severity are measures of loss activity that are considered in determining the key assumptions described in our discussion of loss and loss expense reserves, including expected loss ratios, rate of loss cost inflation and reported and paid loss emergence patterns. Loss frequency is a measure of the number of claims per unit of insured exposure, and loss severity is a measure of the average size of claims. Factors affecting loss frequency include the effectiveness of loss controls and safety programs and changes in economic activity or weather patterns. Factors affecting loss severity include changes in policy limits, retentions, rate of inflation and judicial interpretations.

Another factor affecting estimates of loss frequency and severity is the loss reporting lag, which is the period of time between the occurrence of a loss and the date the loss is reported to the Company. The length of the loss reporting lag affects our ability to accurately predict loss frequency (loss frequencies are more predictable for lines with short reporting lags) as well as the amount of reserves needed for incurred but not reported losses (less IBNR is required for lines with short reporting lags). As a result, loss reserves for lines with short reporting lags are likely to have less variation from initial loss estimates. For lines with short reporting lags, which include auto, primary workers' compensation, other liability (claims-made) and property business, the key assumption is the loss emergence pattern used to project ultimate loss estimates from known losses paid or reported to date. For lines of business with long reporting lags, which include other liability (occurrence), products liability, excess workers' compensation and liability reinsurance, the key assumption is the expected loss ratio since there is often little paid or incurred loss data to consider. Historically, the Company has experienced less variation from its initial loss estimates for lines of business with short reporting lags than for lines of business with long reporting lags.

The key assumptions used in calculating the most recent estimate of the loss reserves are reviewed each quarter and adjusted, to the extent necessary, to reflect the latest reported loss data, current trends and other factors observed.

The table below provides a reconciliation of the beginning and ending reserve balances:

(In thousands)	June 30,	
	2024	2023
Net reserves at beginning of period	\$ 15,661,820	\$ 14,248,879
Net provision for losses and loss expenses:		
Claims occurring during the current year (1)	3,411,888	3,064,046
Increase in estimates for claims occurring in prior years (2) (3)	14,700	28,853
Loss reserve discount accretion	17,786	15,510
Total	<u>3,444,374</u>	<u>3,108,409</u>
Net payments for claims:		
Current year	383,639	375,365
Prior years	2,205,566	2,019,371
Total	<u>2,589,205</u>	<u>2,394,736</u>
Foreign currency translation	<u>(56,143)</u>	<u>5,929</u>
Net reserves at end of period	16,460,846	14,968,481
Ceded reserves at end of period	<u>3,106,344</u>	<u>2,951,515</u>
Gross reserves at end of period	<u>\$ 19,567,190</u>	<u>\$ 17,919,996</u>

(1) Claims occurring during the current year are net of loss reserve discounts of \$26 million and \$22 million for the six months ended June 30, 2024 and 2023, respectively.

(2) The change in estimates for claims occurring in prior years is net of loss reserve discount. On an undiscounted basis, the estimates for claims occurring in prior years increased by \$7 million and decreased by \$6 million for the six months ended June 30, 2024 and 2023, respectively.

(3) For certain retrospectively rated insurance policies and reinsurance agreements, reserve development is offset by additional or return premiums. Favorable development, net of additional and return premiums, was \$2 million and adverse development was \$21 million for the six months ended June 30, 2024 and 2023, respectively.

The ultimate net impact of COVID-19 on the Company's reserves remains uncertain. As of June 30, 2024, the Company had recognized losses for COVID-19-related claims activity, net of reinsurance, of approximately \$388 million, of which \$329 million relates to the Insurance segment and \$59 million relates to the Reinsurance & Monoline Excess segment. Such \$388 million of COVID-19-related losses included \$385 million of reported losses and \$3 million of IBNR.

During the six months ended June 30, 2024, favorable prior year development (net of additional and return premiums) of \$2 million included \$7 million for the Reinsurance & Monoline Excess segment partially offset by \$5 million of adverse prior year development for the Insurance segment.

For the Insurance segment, the adverse development during the first half of 2024 was driven by commercial auto liability and other liability (mainly umbrella and excess liability), and was partially offset by favorable development for workers' compensation and professional liability. The adverse commercial auto liability development was concentrated in accident years 2020 through 2023. The other liability development was mainly driven by umbrella and excess liability claims, and was focused in accident years 2017 through 2021. A significant portion of the umbrella and excess liability development related to underlying commercial auto exposures. The Company believes that commercial auto-related claims are being particularly impacted by social inflation, which is contributing to an increase in the frequency of large losses beyond expectations. Social inflation can include higher settlement demands from plaintiffs, use of aggressive actions by the plaintiffs' bar such as litigation funding, negative public sentiment towards large businesses and corporations, and erosion of tort reforms, among other factors.

The favorable workers' compensation development for the Insurance segment was mainly related to accident years 2016 through 2023, while the favorable professional liability development was mainly in accident years 2018 through 2022. For workers' compensation, favorable reported claim frequency, below expectations, continued to be the main driver of the favorable reserve development. For professional liability, reported loss experience for accident years 2018 through 2022 was better than expected, which drove the favorable reserve development. Accident years 2020 through 2022 also feature business written at peak pricing levels, which the Company now believes will result in higher profitability than initially anticipated.

For the Reinsurance & Monoline Excess segment, the favorable development during the first half of 2024 was driven mainly by favorable development in excess workers' compensation, partially offset by adverse development in the non-proportional reinsurance assumed liability line of business. The favorable excess workers' compensation development was driven by continued lower claim frequency and reported losses relative to expectations, and to favorable claim settlements

spread across many prior accident years. The unfavorable development for non-proportional reinsurance was concentrated mainly in accident years 2017 through 2019 and was associated primarily with our U.S. and U.K. excess general liability reinsurance businesses, including coverage for cedants insuring construction projects.

During the six months ended June 30, 2023, adverse prior year development (net of additional and return premiums) of \$21 million included \$19 million for the Insurance segment and \$2 million for the Reinsurance & Monoline Excess segment.

Overall adverse development was recognized during the first quarter of 2023 in both business segments due to property catastrophe losses related to 2022 events that were still being adjusted and settled. In particular, losses related to U.S. winter storms that occurred in December were a significant driver of the development, as information gathering and evaluation of these losses were still ongoing into the first quarter. As a result, prior year reserve development (net of additional and return premiums) overall was adverse by \$24 million in the first quarter, but was favorable by \$3 million during the second quarter of 2023.

For the Insurance segment, in addition to the property prior year adverse development discussed above, the adverse development during the six months ended June 30, 2023 included adverse prior year development on casualty lines for the 2016 through 2019 accident years, which was largely offset by favorable prior year development on casualty lines for the 2021 and 2022 accident years. The adverse development on the 2016 through 2019 accident years was concentrated in the other liability line of business, and to a lesser degree, professional liability, including medical professional. The development, which particularly impacted business attaching excess of primary policy limits, was driven by a larger than expected number of large losses reported. The Company believes social inflation is contributing to an increase in the frequency of large losses for these accident years. Social inflation can include higher settlement demands from plaintiffs, use of tactics such as litigation funding by the plaintiffs' bar, negative public sentiment towards large businesses and corporations, and erosion of tort reforms, among others.

The favorable prior year development on casualty lines for the 2021 and 2022 accident years in the Insurance segment was concentrated in the professional liability, workers' compensation, and other liability lines of business, partially offset by adverse development in commercial auto liability. Due to uncertainty regarding incurred loss frequency and severity in light of ongoing social inflation and the impacts of the COVID-19 pandemic, the Company set its initial loss ratios for the 2021 and 2022 accident years prudently, and largely maintained these estimates through the end of each respective accident year. The reported loss experience for these lines of business for the 2021 and 2022 accident years has been better than was expected, and the Company has begun to react to this favorable emergence as the accident years mature beyond 12 months. Commercial auto liability experienced adverse prior year development during the six months ended June 30, 2023 for the 2021 accident year, which was driven by a larger than expected number of large losses reported.

For the Reinsurance & Monoline Excess segment, the adverse development during the six months ended June 30, 2023 was driven mainly by adverse development in property (discussed above) and non-proportional reinsurance assumed liability lines of business, largely offset by favorable development in excess workers' compensation. The favorable excess workers' compensation development was driven by continued lower claim frequency and reported losses relative to our expectations, and to favorable claim settlements. The favorable development was spread across many prior accident years. The adverse development on reinsurance assumed liability was associated primarily with our U.S. assumed reinsurance business, and related to accounts reinsuring excess and umbrella business and construction projects. The adverse development was concentrated mainly in accident years 2017 through 2020.

### (17) Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments:

(In thousands)	June 30, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Assets:</b>				
Fixed maturity securities	\$ 21,082,676	\$ 21,084,502	\$ 20,178,308	\$ 20,181,547
Equity securities	1,078,092	1,078,092	1,090,347	1,090,347
Arbitrage trading account	1,221,861	1,221,861	938,049	938,049
Loans receivable	349,325	349,310	201,271	198,244
Cash and cash equivalents	1,580,270	1,580,270	1,363,195	1,363,195
Trading account receivables from brokers and clearing organizations	40,705	40,705	303,614	303,614
Due from broker	—	—	36,747	36,747
<b>Liabilities:</b>				
Due to broker	128,563	128,563	—	—
Trading account securities sold but not yet purchased	81,273	81,273	9,357	9,357
Senior notes and other debt	1,828,422	1,422,506	1,827,951	1,480,076
Subordinated debentures	1,009,449	825,344	1,009,090	929,598

The estimated fair values of the Company's fixed maturity securities, equity securities and arbitrage trading account securities are based on various valuation techniques that rely on fair value measurements as described in Note 15. The fair value of loans receivable are estimated by using current institutional purchaser yield requirements for loans with similar credit characteristics, which is considered a Level 2 input. The fair value of the senior notes and other debt and the subordinated debentures is based on spreads for similar securities, which is considered a Level 2 input.

### (18) Premiums and Reinsurance Related Information

The following is a summary of insurance and reinsurance financial information:

(In thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
<b>Written premiums:</b>				
Direct	\$ 3,380,470	\$ 2,985,563	\$ 6,419,537	\$ 5,724,317
Assumed	337,302	351,210	660,991	661,773
Ceded	(590,993)	(525,258)	(1,102,458)	(999,751)
Total net premiums written	\$ 3,126,779	\$ 2,811,515	\$ 5,978,070	\$ 5,386,339
<b>Earned premiums:</b>				
Direct	\$ 3,048,872	\$ 2,725,650	\$ 5,985,516	\$ 5,392,712
Assumed	328,114	302,431	666,024	597,661
Ceded	(530,571)	(475,354)	(1,040,778)	(946,214)
Total net premiums earned	\$ 2,846,415	\$ 2,552,727	\$ 5,610,762	\$ 5,044,159
Ceded losses and loss expenses incurred	\$ 327,243	\$ 333,795	\$ 633,194	\$ 649,271
Ceded commissions earned	\$ 123,647	\$ 117,523	\$ 244,701	\$ 235,941

The following table presents the rollforward of the allowance for expected credit losses for premiums and fees receivable for the six months ended June 30, 2024 and 2023:

(In thousands)	2024	2023
Allowance for expected credit losses, beginning of period	\$ 35,110	\$ 30,660
Change in expected credit losses	2,169	2,110
Allowance for expected credit losses, end of period	\$ 37,279	\$ 32,770

The following table presents the rollforward of the allowance for expected credit losses for premiums and fees receivable for the three months ended June 30, 2024 and 2023:

<b>(In thousands)</b>	<b>2024</b>	<b>2023</b>
Allowance for expected credit losses, beginning of period	\$ 35,039	\$ 32,353
Change in expected credit losses	2,240	417
Allowance for expected credit losses, end of period	<u>\$ 37,279</u>	<u>\$ 32,770</u>

The Company reinsures a portion of its insurance exposures in order to reduce its net liability on individual risks and catastrophe losses. The Company also cedes premiums to state assigned risk plans and captive insurance companies. Estimated amounts due from reinsurers are reported net of an allowance for expected credit losses.

The following table presents the rollforward of the allowance for expected credit losses associated with due from reinsurers for the six months ended June 30, 2024 and 2023:

<b>(In thousands)</b>	<b>2024</b>	<b>2023</b>
Allowance for expected credit losses, beginning of period	\$ 8,404	\$ 8,064
Change in expected credit losses	1,851	1,301
Allowance for expected credit losses, end of period	<u>\$ 10,255</u>	<u>\$ 9,365</u>

The following table presents the rollforward of the allowance for expected credit losses associated with due from reinsurers for the three months ended June 30, 2024 and 2023:

<b>(In thousands)</b>	<b>2024</b>	<b>2023</b>
Allowance for expected credit losses, beginning of period	\$ 9,185	\$ 8,703
Change in expected credit losses	1,070	662
Allowance for expected credit losses, end of period	<u>\$ 10,255</u>	<u>\$ 9,365</u>

#### **(19) Restricted Stock Units**

Pursuant to its stock incentive plan, the Company may issue restricted stock units ("RSUs") to employees of the Company and its subsidiaries. The RSUs generally vest three to five years from the award date and are subject to other vesting and forfeiture provisions contained in the award agreement. RSUs are expensed pro-ratably over the vesting period. RSU expenses were \$25 million and \$23 million for the six months ended June 30, 2024 and 2023, respectively. A summary of RSUs issued in the six months ended June 30, 2024 and 2023 follows:

<b>(\$ in thousands)</b>	<b>Units</b>	<b>Fair Value</b>
2024	2,277	\$ 125
2023	8,381	\$ 332

#### **(20) Litigation and Contingent Liabilities**

In the ordinary course of business, the Company is subject to disputes, litigation and arbitration arising from its insurance and reinsurance businesses. These matters are generally related to insurance and reinsurance claims and are considered in the establishment of loss and loss expense reserves. In addition, the Company may also become involved in legal actions which seek extra-contractual damages, punitive damages or penalties, including claims alleging bad faith in handling of insurance claims. The Company expects its ultimate liability with respect to such matters will not be material to its financial condition. However, adverse outcomes on such matters are possible, from time to time, and could be material to the Company's results of operations in any particular financial reporting period.

On December 22, 2023, one of the Company's subsidiaries filed a lawsuit against certain reinsurers to recover in excess of \$90 million in respect of certain losses paid to its policyholders under certain event cancellation and related insurance policies. The Company believes its claims against the reinsurers are meritorious and expects a positive resolution to its lawsuit. While an adverse outcome is possible, the Company believes that the outcome, in any case, will not be material to the Company's financial condition.

**(21) Leases**

Lessees are required to recognize a right-of-use asset and a lease liability for leases with terms of more than 12 months on the balance sheet. All leases disclosed within this footnote are classified as operating leases. Recognized right-of-use asset and lease liability are reported within other assets and other liabilities, respectively, in the consolidated balance sheet. Lease expense is reported in other operating costs and expenses in the consolidated statement of income and accounted for on a straight-line basis over the lease term.

To determine the discount rate used to calculate present value of future minimum lease payments, the Company uses its incremental borrowing rate during the lease commencement period in line with the respective lease duration. In certain cases, the Company has the option to renew the lease. Lease renewal future payments are included in the present value of the future minimum lease payments when the Company determines it is reasonably certain to renew.

The main leases entered into by the Company are for office space used by the Company's operating units across the world. Additionally, the Company, to a lesser extent, has equipment leases mainly for office equipment. Further information relating to operating lease expense and other operating lease information are as follows:

<b>(In thousands)</b>	<b>For the Three Months Ended June 30,</b>		<b>For the Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Leases:</b>				
Lease cost	\$ 11,326	\$ 10,138	\$ 22,403	\$ 20,326
Cash paid for amounts included in the measurement of lease liabilities reported in operating cash flows	\$ 12,364	\$ 11,281	\$ 24,596	\$ 21,844
Right-of-use assets obtained in exchange for new lease liabilities	\$ 8,853	\$ 2,633	\$ 33,548	\$ 7,946

<b>(\$ in thousands)</b>	<b>As of June 30,</b>	
	<b>2024</b>	<b>2023</b>
Right-of-use assets	\$ 190,207	\$ 157,991
Lease liabilities	\$ 231,128	\$ 191,576
Weighted-average remaining lease term	7.5 years	7.0 years
Weighted-average discount rate	5.51 %	4.49 %

Contractual maturities of the Company's future minimum lease payments are as follows:

<b>(In thousands)</b>	<b>June 30, 2024</b>
<b>Contractual Maturities:</b>	
2024	\$ 26,008
2025	45,629
2026	39,117
2027	30,117
2028	28,576
Thereafter	107,255
Total undiscounted future minimum lease payments	276,702
Less: Discount impact	45,574
Total lease liability	\$ 231,128

## (22) Business Segments

The Company's reportable segments include the following two business segments, plus a corporate segment:

- Insurance - predominantly commercial insurance business, including excess and surplus lines, admitted lines and specialty personal lines throughout the United States, as well as insurance business in Asia, Australia, Canada, Continental Europe, Mexico, Scandinavia, South America and the United Kingdom.
- Reinsurance & Monoline Excess - reinsurance business on a facultative and treaty basis, primarily in the United States, the United Kingdom, Continental Europe, Australia, the Asia-Pacific Region and South Africa, as well as operations that solely retain risk on an excess basis and certain program management business.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Income tax expense and benefits are calculated based upon the Company's overall effective tax rate.

Summary financial information about the Company's reporting segments is presented in the following tables. Income (loss) before income taxes by segment includes allocated investment income. Identifiable assets by segment are those assets used in or allocated to the operation of each segment.

(In thousands)	Revenues				Pre-Tax Income (Loss)	Net Income (Loss) to Common Stockholders
	Earned Premiums (1)	Investment Income	Other	Total (2)		
<b>Three months ended June 30, 2024</b>						
Insurance	\$ 2,484,569	\$ 303,561	\$ 9,591	\$ 2,797,721	\$ 490,053	\$ 374,247
Reinsurance & Monoline Excess	361,846	58,472	—	420,318	124,449	97,638
Corporate, other and eliminations (3)	—	10,096	144,409	154,505	(68,317)	(53,865)
Net investment losses	—	—	(58,512)	(58,512)	(58,512)	(46,111)
Total	\$ 2,846,415	\$ 372,129	\$ 95,488	\$ 3,314,032	\$ 487,673	\$ 371,909
<b>Three months ended June 30, 2023</b>						
Insurance	\$ 2,215,186	\$ 185,327	\$ 8,853	\$ 2,409,366	\$ 386,350	\$ 300,239
Reinsurance & Monoline Excess	337,541	42,187	—	379,728	105,420	82,317
Corporate, other and eliminations (3)	—	17,638	130,528	148,166	(93,240)	(72,315)
Net investment gains	—	—	58,654	58,654	58,654	46,067
Total	\$ 2,552,727	\$ 245,152	\$ 198,035	\$ 2,995,914	\$ 457,184	\$ 356,308
<b>Six months ended June 30, 2024</b>						
Insurance	\$ 4,883,338	\$ 548,338	\$ 19,014	\$ 5,450,690	\$ 968,202	\$ 739,337
Reinsurance & Monoline Excess	727,424	111,683	—	839,107	252,074	199,764
Corporate, other and eliminations (3)	—	31,946	281,795	313,741	(125,799)	(97,757)
Net investment losses	—	—	(32,733)	(32,733)	(32,733)	(26,964)
Total	\$ 5,610,762	\$ 691,967	\$ 268,076	\$ 6,570,805	\$ 1,061,744	\$ 814,380
<b>Six Months Ended June 30, 2023</b>						
Insurance	\$ 4,358,110	\$ 348,886	\$ 18,427	\$ 4,725,423	\$ 738,977	\$ 574,347
Reinsurance & Monoline Excess	686,049	96,770	—	782,819	206,704	164,674
Corporate, other and eliminations (3)	—	22,895	278,117	301,012	(194,089)	(152,814)
Net investment gains	—	—	81,664	81,664	81,664	64,227
Total	\$ 5,044,159	\$ 468,551	\$ 378,208	\$ 5,890,918	\$ 833,256	\$ 650,434

(1) Certain amounts included in earned premiums of each segment are related to inter-segment transactions.

(2) Revenues for Insurance from foreign operations for the three months ended June 30, 2024 and 2023 were \$368 million and \$280 million, respectively, and for the six months ended June 30, 2024 and 2023 were \$762 million and \$554 million, respectively. Revenues for Reinsurance & Monoline Excess from foreign operations for the three months ended June 30, 2024 and 2023 were \$117 million and \$102 million, respectively, and for the six months ended June 30, 2024 and 2023 were \$228 million and \$209 million, respectively.

(3) Corporate, other and eliminations represent corporate revenues and expenses that are not allocated to business segments.

### Identifiable Assets

<u>(In thousands)</u>	<u>June 30, 2024</u>	<u>December 31, 2023</u>
Insurance	\$ 31,264,338	\$ 29,923,282
Reinsurance & Monoline Excess	5,557,232	5,545,249
Corporate, other and eliminations	2,088,349	1,643,299
Consolidated	<u>\$ 38,909,919</u>	<u>\$ 37,111,830</u>

Net premiums earned by major line of business are as follows:

<u>(In thousands)</u>	<u>For the Three Months Ended June 30,</u>		<u>For the Six Months Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
<b>Insurance:</b>				
Other liability	\$ 1,001,987	\$ 890,984	\$ 1,969,247	\$ 1,744,456
Short-tail lines (1)	538,797	444,834	1,049,606	857,368
Auto	361,580	307,578	715,593	601,694
Workers' compensation	310,564	299,149	612,060	604,710
Professional liability	271,641	272,641	536,832	549,882
Total Insurance	<u>2,484,569</u>	<u>2,215,186</u>	<u>4,883,338</u>	<u>4,358,110</u>
<b>Reinsurance &amp; Monoline Excess:</b>				
Casualty (2)	199,080	202,348	396,924	417,060
Property (2)	97,255	76,348	199,638	151,500
Monoline excess (3)	65,511	58,845	130,862	117,489
Total Reinsurance & Monoline Excess	<u>361,846</u>	<u>337,541</u>	<u>727,424</u>	<u>686,049</u>
<b>Total</b>	<u>\$ 2,846,415</u>	<u>\$ 2,552,727</u>	<u>\$ 5,610,762</u>	<u>\$ 5,044,159</u>

(1) Short-tail lines include commercial multi-peril (non-liability), inland marine, accident and health, fidelity and surety, boiler and machinery, high net worth homeowners and other lines.

(2) Includes reinsurance casualty and property and certain program management business.

(3) Monoline excess includes operations that solely retain risk on an excess basis.

## SAFE HARBOR STATEMENT

This is a “Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995. Any forward-looking statements contained herein, including statements related to our outlook for the industry and for our performance for the year 2024 and beyond, are based upon the Company’s historical performance and on current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. They are subject to various risks and uncertainties, including but not limited to: the cyclical nature of the property casualty industry; the impact of significant competition, including new entrants to the industry; the long-tail and potentially volatile nature of the insurance and reinsurance business; product demand and pricing; claims development and the process of estimating reserves; investment risks, including those of our portfolio of fixed maturity securities and investments in equity securities, including investments in financial institutions, foreign governmental bonds, municipal bonds, mortgage-backed securities, loans receivable, investment funds, including real estate, merger arbitrage, energy related and private equity investments; the effects of emerging claim and coverage issues; the uncertain nature of damage theories and loss amounts, including claims for cybersecurity-related risks; natural and man-made catastrophic losses, including as a result of terrorist activities; the ongoing effects of the COVID-19 pandemic, or other epidemics and pandemics; the impact of climate change, which may alter the frequency and increase the severity of catastrophe events; general economic and market activities, including inflation, changing interest rates, and volatility in the credit and capital markets; the impact of the conditions in the financial markets and the global economy, and the potential effect of legislative, regulatory, accounting or other initiatives taken in response, on our results and financial condition; foreign currency and political risks relating to our international operations; our ability to attract and retain key personnel and qualified employees; continued availability of capital and financing; the success of our new ventures or acquisitions and the availability of other opportunities; the availability of reinsurance; our retention under the Terrorism Risk Insurance Program Reauthorization Act of 2019; the ability or willingness of our reinsurers to pay reinsurance recoverables owed to us; other legislative and regulatory developments, including those related to business practices in the insurance industry; credit risk related to our policyholders, independent agents and brokers; changes in the ratings assigned to us or our insurance company subsidiaries by rating agencies; the availability of dividends from our insurance company subsidiaries; cyber security breaches of our information technology systems and the information technology systems of our vendors and other third parties, or related processes and systems; the effectiveness of our controls to ensure compliance with guidelines, policies and legal and regulatory standards; and other risks detailed from time to time in the Company’s filings with the Securities and Exchange Commission.

These risks and uncertainties could cause our actual results for the year 2024 and beyond to differ materially from those expressed in any forward-looking statement we make. Any projections of growth in our revenues would not necessarily result in commensurate levels of earnings. Our future financial performance is dependent upon factors discussed in our Annual Report on Form 10-K, elsewhere in this Form 10-Q and our other SEC filings. Forward-looking statements speak only as of the date on which they are made. Except to the extent required by applicable laws, the Company does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### **Overview**

W. R. Berkley Corporation is an insurance holding company that is among the largest commercial lines writers in the United States and operates worldwide in two segments of the property and casualty business: Insurance and Reinsurance & Monoline Excess. Our decentralized structure provides us with the flexibility to respond quickly and efficiently to local or specific market conditions and to pursue specialty business niches. It also allows us to be closer to our customers in order to better understand their individual needs and risk characteristics. While providing our business units with certain operating autonomy, our structure allows us to capitalize on the benefits of economies of scale through centralized capital, investment, reinsurance, enterprise risk management, and actuarial, financial and corporate legal staff support. The Company's primary sources of revenues and earnings are its insurance operations and its investments.

An important part of our strategy is to form new operating units to capitalize on various business opportunities. Over the years, the Company has formed numerous operating units that are focused on important parts of the economy in the U.S., including healthcare, cyber security, energy and agriculture, and on growing international markets, including the Asia-Pacific region, South America and Mexico.

The profitability of the Company's insurance business is affected primarily by the adequacy of premium rates. The ultimate adequacy of premium rates is not known with certainty at the time an insurance policy is issued because premiums are determined before claims are reported. The ultimate adequacy of premium rates is affected mainly by the severity and frequency of claims, which are influenced by many factors, including natural and other disasters, regulatory measures and court decisions that define and change the extent of coverage and the effects of economic and social inflation on the amount of compensation for injuries or losses. General insurance prices are also influenced by available insurance capacity, i.e., the level of capital employed in the industry, and the industry's willingness to deploy that capital.

The Company's profitability is also affected by its investment income and investment gains. The Company's invested assets are invested principally in fixed maturity securities. The return on fixed maturity securities is affected primarily by general interest rates, as well as the credit quality and duration of the securities.

The Company also invests in equity securities, merger arbitrage securities, investment funds, private equity, loans and real estate-related assets. The Company's investments in investment funds and its other alternative investments have experienced, and the Company expects to continue to experience, greater fluctuations in investment income. The Company's share of the earnings or losses from investment funds is generally reported on a one-quarter lag in order to facilitate the timely completion of the Company's consolidated financial statements.

Commencing with the first quarter of 2024, the Company reclassified a program management business from the Insurance segment to the Reinsurance & Monoline Excess segment. The reclassified business is a program management business offering support on a nationwide basis for commercial casualty and property program administrators. Reclassifications have been made to the Company's 2023 financial information to conform with this presentation.

On June 12, 2024, the Company announced that its Board of Directors approved a 3-for-2 common stock split which was paid in the form of a stock dividend to holders of record as of June 24, 2024. The additional shares were issued on July 10, 2024. Share and per share amounts in this Form 10-Q reflect such 3-for-2 common stock split.

In June 2023, the Company completed a sale of the property and casualty insurance services division of Breckenridge IS, Inc. and recognized a pre-tax net realized gain on investment of \$88 million.

### **Critical Accounting Estimates**

The following presents a discussion of accounting policies and estimates relating to reserves for losses and loss expenses, assumed premiums and allowance for expected credit losses on investments. Management believes these policies and estimates are the most critical to its operations and require the most difficult, subjective and complex judgments.

**Reserves for Losses and Loss Expenses.** To recognize liabilities for unpaid losses, either known or unknown, insurers establish reserves, which is a balance sheet account representing estimates of future amounts needed to pay claims and related expenses with respect to insured events which have occurred. Estimates and assumptions relating to reserves for losses and loss expenses are based on complex and subjective judgments, often including the interplay of specific uncertainties with related accounting and actuarial measurements. Such estimates are also susceptible to change as significant periods of time may

elapse between the occurrence of an insured loss, the report of the loss to the insurer, the ultimate determination of the cost of the loss and the insurer's payment of that loss.

In general, when a claim is reported, claims personnel establish a "case reserve" for the estimated amount of the ultimate payment based upon known information about the claim at that time. The estimate represents an informed judgment based on general reserving practices and reflects the experience and knowledge of the claims personnel regarding the nature and value of the specific type of claim. Reserves are also established on an aggregate basis to provide for losses incurred but not reported ("IBNR") to the insurer, potential inadequacy of case reserves and the estimated expenses of settling claims, including legal and other fees and general expenses of administering the claims adjustment process. Reserves are established based upon the then current legal interpretation of coverage provided.

In examining reserve adequacy, several factors are considered in estimating the ultimate economic value of losses. These factors include, among other things, historical data, legal developments, changes in social attitudes and economic conditions, including the effects of inflation. The actuarial process relies on the basic assumption that past experience, adjusted judgmentally for the effects of current developments and anticipated trends, is an appropriate basis for predicting future outcomes. Reserve amounts are based on management's informed estimates and judgments using currently available data. As additional experience and other data become available and are reviewed, these estimates and judgments may be revised. This may result in reserve increases or decreases that would be reflected in our results in periods in which such estimates and assumptions are changed.

Reserves do not represent an exact calculation of liability. Rather, reserves represent an estimate of what management expects the ultimate settlement and claim administration will cost. While the methods for establishing reserves are well tested over time, some of the major assumptions about anticipated loss emergence patterns are subject to uncertainty. These estimates, which generally involve actuarial projections, are based on management's assessment of facts and circumstances then known, as well as estimates of trends in claims severity and frequency, judicial theories of liability and other factors, including the actions of third parties which are beyond the Company's control. These variables are affected by external and internal events, such as inflation and economic volatility, judicial and litigation trends, reinsurance coverage, legislative changes and claim handling and reserving practices, which make it more difficult to accurately predict claim costs. The inherent uncertainties of estimating reserves are greater for certain types of liabilities where long periods of time elapse before a definitive determination of liability is made. Because setting reserves is inherently uncertain, the Company cannot provide assurance that its current reserves will prove adequate in light of subsequent events.

Loss reserves included in the Company's financial statements represent management's best estimates based upon an actuarially derived point estimate and other considerations. The Company uses a variety of actuarial techniques and methods to derive an actuarial point estimate for each operating unit. These methods include paid loss development, incurred loss development, paid and incurred Bornhuetter-Ferguson methods and frequency and severity methods. In circumstances where one actuarial method is considered more credible than the others, that method is used to set the point estimate. For example, the paid loss and incurred loss development methods rely on historical paid and incurred loss data. For new lines of business, where there is insufficient history of paid and incurred claims data, or in circumstances where there have been significant changes in claim practices, the paid and incurred loss development methods would be less credible than other actuarial methods. The actuarial point estimate may also be based on a judgmental weighting of estimates produced from each of the methods considered. Industry loss experience is used to supplement the Company's own data in selecting "tail factors" and in areas where the Company's own data is limited. The actuarial data is analyzed by line of business, coverage and accident or policy year, as appropriate, for each operating unit.

The establishment of the actuarially derived loss reserve point estimate also includes consideration of qualitative factors that may affect the ultimate losses. These qualitative considerations include, among others, the impact of re-underwriting initiatives, changes in the mix of business, changes in distribution sources and changes in policy terms and conditions. Examples of changes in terms and conditions that can have a significant impact on reserve levels are the use of aggregate policy limits, the expansion of coverage exclusions, whether or not defense costs are within policy limits, and changes in deductibles and attachment points.

The key assumptions used to arrive at the best estimate of loss reserves are the expected loss ratios, rate of loss cost inflation, and reported and paid loss emergence patterns. Expected loss ratios represent management's expectation of losses at the time the business is written, before any actual claims experience has emerged. This expectation is a significant determinant of the estimate of loss reserves for recently written business where there is little paid or incurred loss data to consider. Expected loss ratios are generally derived from historical loss ratios adjusted for the impact of rate changes, loss cost trends and known changes in the type of risks underwritten. Expected loss ratios are estimated for each key line of business within each operating unit. Expected loss cost inflation is particularly important for the long-tail lines, such as excess casualty, and claims with a high medical component, such as workers' compensation. Reported and paid loss emergence patterns are used to project current

reported or paid loss amounts to their ultimate settlement value. Loss development factors are based on the historical emergence patterns of paid and incurred losses, and are derived from the Company's own experience and industry data. The paid loss emergence pattern is also significant to excess and assumed workers' compensation reserves because those reserves are discounted to their estimated present value based upon such estimated payout patterns. Management believes the estimates and assumptions it makes in the reserving process provide the best estimate of the ultimate cost of settling claims and related expenses with respect to insured events which have occurred; however, different assumptions and variables could lead to significantly different reserve estimates.

Loss frequency and severity are measures of loss activity that are considered in determining the key assumptions described in our discussion of loss and loss expense reserves, including expected loss ratios, rate of loss cost inflation and reported and paid loss emergence patterns. Loss frequency is a measure of the number of claims per unit of insured exposure, and loss severity is a measure of the average size of claims. Factors affecting loss frequency include the effectiveness of loss controls and safety programs and changes in economic activity or weather patterns. Factors affecting loss severity include changes in policy limits, retentions, rate of inflation and judicial interpretations.

Another factor affecting estimates of loss frequency and severity is the loss reporting lag, which is the period of time between the occurrence of a loss and the date the loss is reported to the Company. The length of the loss reporting lag affects our ability to accurately predict loss frequency (loss frequencies are more predictable for lines with short reporting lags) as well as the amount of reserves needed for incurred but not reported losses (less IBNR is required for lines with short reporting lags). As a result, loss reserves for lines with short reporting lags are likely to have less variation from initial loss estimates. For lines with short reporting lags, which include auto, primary workers' compensation, other liability (claims-made) and property business, the key assumption is the loss emergence pattern used to project ultimate loss estimates from known losses paid or reported to date. For lines of business with long reporting lags, which include other liability (occurrence), products liability, excess workers' compensation and liability reinsurance, the key assumption is the expected loss ratio since there is often little paid or incurred loss data to consider. Historically, the Company has experienced less variation from its initial loss estimates for lines of business with short reporting lags than for lines of business with long reporting lags.

The key assumptions used in calculating the most recent estimate of the loss reserves are reviewed each quarter and adjusted, to the extent necessary, to reflect the latest reported loss data, current trends and other factors observed. If the actual level of loss frequency and severity are higher or lower than expected, the ultimate losses will be different than management's estimate. The following table reflects the impact of changes (which could be favorable or unfavorable) in frequency and severity, relative to our assumptions, on our loss estimate for claims occurring in 2024:

(In thousands)	Frequency (+/-)		
	1%	5%	10%
Severity (+/-)			
1%	\$ 126,867	\$ 381,863	\$ 700,608
5%	381,863	646,957	978,326
10%	700,608	978,326	1,325,474

Our net reserves for losses and loss expenses of approximately \$16.5 billion as of June 30, 2024 relate to multiple accident years. Therefore, the impact of changes in frequency or severity for more than one accident year could be higher or lower than the amounts reflected above. The impact of such changes would likely be manifested gradually over the course of many years, as the magnitude of the changes became evident.

Approximately \$3.3 billion, or 20%, of the Company's net loss reserves as of June 30, 2024 relate to the Reinsurance & Monoline Excess segment. There is a higher degree of uncertainty and greater variability regarding estimates of excess workers' compensation and assumed reinsurance loss reserves, which predominantly comprise these reserves. In the case of excess workers' compensation, our policies generally attach at \$1 million or higher. The claims which reach our layer therefore tend to involve the most serious injuries and many remain open for the lifetime of the claimant, which extends the claim settlement tail. These claims also occur less frequently but tend to be larger than primary claims, which increases claim variability. In the case of assumed reinsurance our loss reserve estimates are based, in part, upon information received from ceding companies. If information received from ceding companies is not timely or correct, the Company's estimate of ultimate losses may not be accurate. Furthermore, due to delayed reporting of claim information by ceding companies, the claim settlement tail for assumed reinsurance is also extended. Management considers the impact of delayed reporting and the extended tail in its selection of loss development factors for these lines of business.

Information received from ceding companies is used to set initial expected loss ratios, to establish case reserves and to estimate reserves for incurred but not reported losses on assumed reinsurance business. This information, which is generally provided through reinsurance intermediaries, is gathered through the underwriting process and from periodic claim reports and other correspondence with ceding companies. The Company performs underwriting and claim audits of selected ceding

companies to determine the accuracy and completeness of information provided to the Company. The information received from the ceding companies is supplemented by the Company's own loss development experience with similar lines of business as well as industry loss trends and loss development benchmarks.

Following is a summary of the Company's reserves for losses and loss expenses by business segment:

<b>(In thousands)</b>	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Insurance	\$ 13,179,601	\$ 12,430,202
Reinsurance & Monoline Excess	3,281,245	3,231,618
Net reserves for losses and loss expenses	16,460,846	15,661,820
Ceded reserves for losses and loss expenses	3,106,344	3,077,832
Gross reserves for losses and loss expenses	<u>\$ 19,567,190</u>	<u>\$ 18,739,652</u>

Following is a summary of the Company's net reserves for losses and loss expenses by major line of business:

<b>(In thousands)</b>	<b>Reported Case Reserves</b>	<b>Incurred But Not Reported</b>	<b>Total</b>
<b>June 30, 2024</b>			
Other liability	\$ 2,014,203	\$ 4,899,611	\$ 6,913,814
Professional liability	608,694	1,433,033	2,041,727
Workers' compensation (1)	1,031,963	789,452	1,821,415
Auto	670,434	840,670	1,511,104
Short-tail lines (2)	372,994	518,547	891,541
Total Insurance	4,698,288	8,481,313	13,179,601
Reinsurance & Monoline Excess (1) (3)	1,644,683	1,636,562	3,281,245
Total	<u>\$ 6,342,971</u>	<u>\$ 10,117,875</u>	<u>\$ 16,460,846</u>
<b>December 31, 2023</b>			
Other liability	\$ 1,912,594	\$ 4,607,507	\$ 6,520,101
Professional liability	527,555	1,438,102	1,965,657
Workers' compensation (1)	1,019,445	790,944	1,810,389
Auto	645,707	700,850	1,346,557
Short-tail lines (2)	375,129	412,369	787,498
Total Insurance	4,480,430	7,949,772	12,430,202
Reinsurance & Monoline Excess (1) (3)	1,673,581	1,558,037	3,231,618
Total	<u>\$ 6,154,011</u>	<u>\$ 9,507,809</u>	<u>\$ 15,661,820</u>

(1) Reserves for workers' compensation and Reinsurance & Monoline Excess are net of an aggregate net discount of \$390 million as of both June 30, 2024 and December 31, 2023.

(2) Short-tail lines include commercial multi-peril (non-liability), inland marine, accident and health, fidelity and surety, boiler and machinery, high net worth homeowners and other lines.

(3) Reinsurance & Monoline Excess includes property and casualty reinsurance, as well as operations that solely retain risk on an excess basis and certain program management business.

The Company evaluates reserves for losses and loss adjustment expenses on a quarterly basis. Changes in estimates of prior year losses are reported when such changes are made. The changes in prior year loss reserve estimates are generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims and aggregate claim trends.

Certain of the Company's insurance and reinsurance contracts are retrospectively rated, whereby the Company collects more or less premiums based on the level of loss activity. For those contracts, changes in loss and loss adjustment expenses for prior years may be fully or partially offset by additional or return premiums.

Net prior year development (i.e., the sum of prior year reserve changes and prior year earned premiums changes) for the six months ended June 30, 2024 and 2023 are as follows:

<b>(In thousands)</b>	<b>2024</b>	<b>2023</b>
Increase in prior year loss reserves	\$ (14,700)	\$ (28,853)
Increase in prior year earned premiums	16,373	8,055
Net favorable (unfavorable) prior year development	<u>\$ 1,673</u>	<u>\$ (20,798)</u>

The ultimate net impact of COVID-19 on the Company's reserves remains uncertain. As of June 30, 2024, the Company had recognized losses for COVID-19-related claims activity, net of reinsurance, of approximately \$388 million, of which \$329 million relates to the Insurance segment and \$59 million relates to the Reinsurance & Monoline Excess segment. Such \$388 million of COVID-19-related losses included \$385 million of reported losses and \$3 million of IBNR.

During the six months ended June 30, 2024, favorable prior year development (net of additional and return premiums) of \$2 million included \$7 million for the Reinsurance & Monoline Excess segment partially offset by \$5 million of adverse prior year development for the Insurance segment.

For the Insurance segment, the adverse development during the first half of 2024 was driven by commercial auto liability and other liability (mainly umbrella and excess liability), and was partially offset by favorable development for workers' compensation and professional liability. The adverse commercial auto liability development was concentrated in accident years 2020 through 2023. The other liability development was mainly driven by umbrella and excess liability claims, and was focused in accident years 2017 through 2021. A significant portion of the umbrella and excess liability development related to underlying commercial auto exposures. The Company believes that commercial auto-related claims are being particularly impacted by social inflation, which is contributing to an increase in the frequency of large losses beyond expectations. Social inflation can include higher settlement demands from plaintiffs, use of aggressive actions by the plaintiffs' bar such as litigation funding, negative public sentiment towards large businesses and corporations, and erosion of tort reforms, among other factors.

The favorable workers' compensation development for the Insurance segment was mainly related to accident years 2016 through 2023, while the favorable professional liability development was mainly in accident years 2018 through 2022. For workers' compensation, favorable reported claim frequency, below expectations, continued to be the main driver of the favorable reserve development. For professional liability, reported loss experience for accident years 2018 through 2022 was better than expected, which drove the favorable reserve development. Accident years 2020 through 2022 also feature business written at peak pricing levels, which the Company now believes will result in higher profitability than initially anticipated.

For the Reinsurance & Monoline Excess segment, the favorable development during the first half of 2024 was driven mainly by favorable development in excess workers' compensation, partially offset by adverse development in the non-proportional reinsurance assumed liability line of business. The favorable excess workers' compensation development was driven by continued lower claim frequency and reported losses relative to expectations, and to favorable claim settlements spread across many prior accident years. The unfavorable development for non-proportional reinsurance was concentrated mainly in accident years 2017 through 2019 and was associated primarily with our U.S. and U.K. excess general liability reinsurance businesses, including coverage for cedants insuring construction projects.

During the six months ended June 30, 2023, adverse prior year development (net of additional and return premiums) of \$21 million included \$19 million for the Insurance segment and \$2 million for the Reinsurance & Monoline Excess segment.

Overall adverse development was recognized during the first quarter of 2023 in both business segments due to property catastrophe losses related to 2022 events that were still being adjusted and settled. In particular, losses related to U.S. winter storms that occurred in December were a significant driver of the development, as information gathering and evaluation of these losses were still ongoing into the first quarter. As a result, prior year reserve development (net of additional and return premiums) overall was adverse by \$24 million in the first quarter, but was favorable by \$3 million during the second quarter of 2023.

For the Insurance segment, in addition to the property prior year adverse development discussed above, the adverse development during the six months ended June 30, 2023 included adverse prior year development on casualty lines for the 2016 through 2019 accident years, which was largely offset by favorable prior year development on casualty lines for the 2021 and 2022 accident years. The adverse development on the 2016 through 2019 accident years was concentrated in the other liability line of business, and to a lesser degree, professional liability, including medical professional. The development, which particularly impacted business attaching excess of primary policy limits, was driven by a larger than expected number of large losses reported. The Company believes social inflation is contributing to an increase in the frequency of large losses for these accident years. Social inflation can include higher settlement demands from plaintiffs, use of tactics such as litigation funding

by the plaintiffs' bar, negative public sentiment towards large businesses and corporations, and erosion of tort reforms, among others.

The favorable prior year development on casualty lines for the 2021 and 2022 accident years in the Insurance segment was concentrated in the professional liability, workers' compensation, and other liability lines of business, partially offset by adverse development in commercial auto liability. Due to uncertainty regarding incurred loss frequency and severity in light of ongoing social inflation and the impacts of the COVID-19 pandemic, the Company set its initial loss ratios for the 2021 and 2022 accident years prudently, and largely maintained these estimates through the end of each respective accident year. The reported loss experience for these lines of business for the 2021 and 2022 accident years has been better than was expected, and the Company has begun to react to this favorable emergence as the accident years mature beyond 12 months. Commercial auto liability experienced adverse prior year development during the six months ended June 30, 2023 for the 2021 accident year, which was driven by a larger than expected number of large losses reported.

For the Reinsurance & Monoline Excess segment, the adverse development during the six months ended June 30, 2023 was driven mainly by adverse development in property (discussed above) and non-proportional reinsurance assumed liability lines of business, largely offset by favorable development in excess workers' compensation. The favorable excess workers' compensation development was driven by continued lower claim frequency and reported losses relative to our expectations, and to favorable claim settlements. The favorable development was spread across many prior accident years. The adverse development on reinsurance assumed liability was associated primarily with our U.S. assumed reinsurance business, and related to accounts reinsuring excess and umbrella business and construction projects. The adverse development was concentrated mainly in accident years 2017 through 2020.

**Reserve Discount.** The Company discounts its liabilities for certain workers' compensation reserves. The amount of workers' compensation reserves that were discounted was \$1,324 million and \$1,352 million at June 30, 2024 and December 31, 2023, respectively. The aggregate net discount for those reserves, after reflecting the effects of ceded reinsurance, was \$390 million at both June 30, 2024 and December 31, 2023. At June 30, 2024, discount rates by year ranged from 0.7% to 6.5%, with a weighted average discount rate of 3.5%.

Substantially all of the workers' compensation discount (97% of total discounted reserves at June 30, 2024) relates to excess workers' compensation reserves. In order to properly match loss expenses with income earned on investment securities supporting the liabilities, reserves for excess workers' compensation business are discounted using risk-free discount rates determined by reference to the U.S. Treasury yield curve. These rates are determined annually based on the weighted average rate for the period. Once established, no adjustments are made to the discount rate for that period, and any increases or decreases in loss reserves in subsequent years are discounted at the same rate, without regard to when any such adjustments are recognized. The expected loss and loss expense payout patterns subject to discounting are derived from the Company's loss payout experience.

The Company also discounts reserves for certain other long-duration workers' compensation reserves (representing approximately 3% of total discounted reserves at June 30, 2024), including reserves for quota share reinsurance and reserves related to losses regarding occupational lung disease. These reserves are discounted at statutory rates permitted by the Department of Insurance of the State of Delaware.

**Assumed Reinsurance Premiums.** The Company estimates the amount of assumed reinsurance premiums that it will receive under treaty reinsurance agreements at the inception of the contracts. These premium estimates are revised as the actual amount of assumed premiums is reported to the Company by the ceding companies. As estimates of assumed premiums are made or revised, the related amount of earned premiums, commissions and incurred losses associated with those premiums are recorded. Estimated assumed premiums receivable were approximately \$66 million at June 30, 2024 and \$65 million at December 31, 2023. The assumed premium estimates are based upon terms set forth in reinsurance agreements, information received from ceding companies during the underwriting and negotiation of agreements, reports received from ceding companies and discussions and correspondence with reinsurance intermediaries. The Company also considers its own view of market conditions, economic trends and experience with similar lines of business. These premium estimates represent management's best estimate of the ultimate amount of premiums to be received under its assumed reinsurance agreements.

**Allowance for Expected Credit Losses on Investments.**

**Fixed Maturity Securities** – For fixed maturity securities in an unrealized loss position where the Company intends to sell, or it is more likely than not that it will be required to sell the security before recovery in value, the amortized cost basis is written down to fair value through net investment gains (losses). For fixed maturity securities in an unrealized loss position where the Company does not intend to sell, or it is more likely than not that it will not be required to sell the security before recovery in value, the Company evaluates whether the decline in fair value has resulted from credit losses or all other factors (non-credit factors). In making this assessment, the Company considers the extent to which fair value is less than amortized

cost, changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, an allowance for expected credit losses is recorded for the credit loss through net investment gains (losses), limited by the amount that the fair value is less than the amortized cost basis. The allowance is adjusted for any change in expected credit losses and subsequent recoveries through net investment gains (losses). The impairment related to non-credit factors is recognized in other comprehensive income (loss).

The Company's credit assessment of allowance for expected credit losses uses a third party model for available for sale and held to maturity securities, as well as loans receivable. The allowance for expected credit losses is generally based on the performance of the underlying collateral under various economic and default scenarios that involve subjective judgments and estimates by management. Modeling these securities involves various factors, such as projected default rates, the nature and realizable value of the collateral, if any, the ability of the issuer to make scheduled payments, historical performance and other relevant economic and performance factors. A discounted cash flow analysis is used to ascertain the amount of the allowance for expected credit losses, if any. In general, the model reverts to the rating-level long-term average marginal default rates based on 10 years of historical data, beyond the forecast period. For other inputs, the model in most cases reverts to the baseline long-term assumptions linearly over 5 years beyond the forecast period. The long-term assumptions are based on the historical averages.

The Company classifies its fixed maturity securities by credit rating, primarily based on ratings assigned by credit rating agencies. For purposes of classifying securities with different ratings, the Company uses the average of the credit ratings assigned, unless in limited situations the Company's own analysis indicates an internal rating is more appropriate. Securities that are not rated by a rating agency are evaluated and classified by the Company on a case-by-case basis.

A summary of the Company's non-investment grade fixed maturity securities that were in an unrealized loss position at June 30, 2024 is presented in the table below:

(\$ in thousands)	Number of Securities	Aggregate Fair Value	Gross Unrealized Loss
Foreign government	51	\$ 99,230	\$ 159,930
State and municipal	5	24,865	4,838
Corporate	30	42,131	2,651
Mortgage-backed	16	4,107	201
Total	102	\$ 170,333	\$ 167,620

As of June 30, 2024, the Company has recorded an allowance for expected credit losses on fixed maturity securities of \$22 million. The Company has evaluated the remaining fixed maturity securities in an unrealized loss position and believes the unrealized losses are due primarily to temporary market and sector-related factors rather than to issuer-specific factors. None of these securities are delinquent or in default under financial covenants. Based on its assessment of these issuers, the Company expects them to continue to meet their contractual payment obligations as they become due.

**Loans Receivable** – For loans receivable, the Company estimates an allowance for expected credit losses based on relevant information about past events, including historical loss experience, current conditions and forecasts that affect the expected collectability of the amortized cost of the financial asset. The allowance for expected credit losses is presented as a reduction to amortized cost of the financial asset in the consolidated balance sheet and changes to the estimate for expected credit losses are recognized through net investment gains (losses). Loans receivable are reported net of an allowance for expected credit losses of \$3 million as of both June 30, 2024 and December 31, 2023.

**Fair Value Measurements.** The Company's fixed maturity available for sale securities, equity securities, and its arbitrage trading account securities are carried at fair value. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for similar assets in active markets. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs may only be used to measure fair value to the extent that observable inputs are not available. The fair value of the vast majority of the Company's portfolio is based on observable data (other than quoted prices) and, accordingly, is classified as Level 2.

In classifying particular financial securities in the fair value hierarchy, the Company uses its judgment to determine whether the market for a security is active and whether significant pricing inputs are observable. The Company determines the existence of an active market by assessing whether transactions occur with sufficient frequency and volume to provide reliable pricing information. The Company determines whether inputs are observable based on the use of such information by pricing services and external investment managers, the uninterrupted availability of such inputs, the need to make significant adjustments to such inputs and the volatility of such inputs over time. If the market for a security is determined to be inactive or if significant inputs used to price a security are determined to be unobservable, the security is categorized in Level 3 of the fair value hierarchy.

Because many fixed maturity securities do not trade on a daily basis, the Company utilizes pricing models and processes which may include benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. Market inputs used to evaluate securities include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. Quoted prices are often unavailable for recently issued securities that are infrequently traded or securities that are only traded in private transactions. For publicly traded securities for which quoted prices are unavailable, the Company determines fair value based on independent broker quotations and other observable market data. For securities traded only in private negotiations, the Company determines fair value based primarily on the cost of such securities, which is adjusted to reflect prices of recent placements of securities of the same issuer, financial data, projections and business developments of the issuer and other relevant information.

The following is a summary of pricing sources for the Company's fixed maturity securities available for sale as of June 30, 2024:

(\$ in thousands)	Carrying Value	Percent of Total
Pricing source:		
Independent pricing services	\$ 20,530,775	97.6 %
Syndicate manager	108,796	0.5
Directly by the Company based on:		
Observable data	399,541	1.9
Total	\$ 21,039,112	100.0 %

**Independent pricing services** – Substantially all of the Company's fixed maturity securities available for sale were priced by independent pricing services (generally one U.S. pricing service plus additional pricing services with respect to a limited number of foreign securities held by the Company). The prices provided by the independent pricing services are generally based on observable market data in active markets (e.g., broker quotes and prices observed for comparable securities). The determination of whether markets are active or inactive is based upon the volume and level of activity for a particular asset class. The Company reviews the prices provided by pricing services for reasonableness based upon current trading levels for similar securities. If the prices appear unusual to the Company, they are re-examined and the value is either confirmed or revised. In addition, the Company periodically performs independent price tests of a sample of securities to ensure proper valuation and to verify our understanding of how securities are priced. As of June 30, 2024, the Company did not make any adjustments to the prices provided by the pricing services. Based upon the Company's review of the methodologies used by the independent pricing services, these securities were classified as Level 2.

**Syndicate manager** – The Company has a 15% participation in a Lloyd's syndicate, and the Company's share of the securities owned by the syndicate is priced by the syndicate's manager. The majority of the securities are liquid, short duration fixed maturity securities. The Company reviews the syndicate manager's pricing methodology and audited financial statements and holds discussions with the syndicate manager as necessary to confirm its understanding and agreement with security prices. Based upon the Company's review of the methodologies used by the syndicate manager, these securities were classified as Level 2.

**Observable data** – If independent pricing is not available, the Company prices the securities directly. Prices are based on observable market data where available, including current trading levels for similar securities and non-binding quotations from brokers. The Company generally requests two or more quotes. If more than one quote is received, the Company sets a price within the range of quotes received based on its assessment of the credibility of the quote and its own evaluation of the security. The Company generally does not adjust quotes obtained from brokers. Since these securities were priced based on observable data, they were classified as Level 2.

**Cash flow model** – If the above methodologies are not available, the Company prices securities using a discounted cash flow model based upon assumptions as to prevailing credit spreads, interest rates and interest rate volatility, time to

maturity and subordination levels. Discount rates are adjusted to reflect illiquidity where appropriate. These securities were classified as Level 3.

## Results of Operations for the Six Months Ended June 30, 2024 and 2023

### Business Segment Results

Following is a summary of gross and net premiums written, net premiums earned, loss ratios (losses and loss expenses incurred expressed as a percentage of net premiums earned), expense ratios (underwriting expenses expressed as a percentage of net premiums earned) and GAAP combined ratios (sum of loss ratio and expense ratio) for each of our business segments for the six months ended June 30, 2024 and 2023. The GAAP combined ratio represents a measure of underwriting profitability, excluding investment income. A GAAP combined ratio in excess of 100 indicates an underwriting loss; a number below 100 indicates an underwriting profit.

(\$ in thousands)	2024		2023	
<b>Insurance:</b>				
Gross premiums written	\$	6,281,900	\$	5,620,406
Net premiums written		5,256,163		4,691,277
Net premiums earned		4,883,338		4,358,110
Loss ratio		62.9 %		62.8 %
Expense ratio		28.4 %		28.3 %
GAAP combined ratio		91.3 %		91.1 %
<b>Reinsurance &amp; Monoline Excess:</b>				
Gross premiums written	\$	798,628	\$	765,685
Net premiums written		721,907		695,062
Net premiums earned		727,424		686,049
Loss ratio		51.3 %		53.9 %
Expense ratio		29.4 %		30.1 %
GAAP combined ratio		80.7 %		84.0 %
<b>Consolidated:</b>				
Gross premiums written	\$	7,080,528	\$	6,386,091
Net premiums written		5,978,070		5,386,339
Net premiums earned		5,610,762		5,044,159
Loss ratio		61.4 %		61.6 %
Expense ratio		28.6 %		28.5 %
GAAP combined ratio		90.0 %		90.1 %

Net Income to Common Stockholders. The following table presents the Company's net income to common stockholders and net income per diluted share for the six months ended June 30, 2024 and 2023:

(In thousands, except per share data)	2024		2023	
Net income to common stockholders	\$	814,380	\$	650,434
Weighted average diluted shares		404,679		412,819
Net income per diluted share	\$	2.01	\$	1.58

The Company reported net income to common stockholders of \$814 million in 2024 compared to \$650 million in 2023. The \$164 million increase in net income was primarily due to an after-tax increase in net investment income of \$171 million mainly due to higher interest rates, a larger fixed maturity securities portfolio and investment income associated with our Argentine inflation-linked securities, an after-tax increase in underwriting income of \$49 million due to growth in premium rates, an after-tax increase in foreign currency gains of \$34 million mainly due to the strengthening of the U.S. dollar against other currencies in 2024, an after-tax reduction in corporate expenses of \$6 million, an after-tax increase in profits from non-insurance businesses of \$4 million and an after-tax increase in minority interest of \$2 million, partially offset by an after-tax reduction in net investment gains of \$88 million mainly due to the foreign currency losses from Argentine peso-denominated investments and reversal of prior unrealized gains on equity securities, an increase of \$13 million in tax expense due to a change in the effective tax rate and an after-tax reduction in profit from insurance service businesses of \$1 million. The number of weighted average diluted shares decreased 8.1 million for 2024 compared to 2023, mainly reflecting shares repurchased in 2024 and 2023.

Premiums. Gross premiums written were \$7,081 million in 2024, an increase of 11% from \$6,386 million in 2023. The increase was due to a \$662 million increase in the Insurance segment and a \$33 million increase in the Reinsurance & Monoline

Excess segment. Approximately 81% of premiums expiring in 2024 were renewed, and 80% of premiums expiring in 2023 were renewed.

Average renewal rates (per unit of exposure) for insurance and facultative reinsurance increased 6.9% in 2024, and increased 7.9% excluding workers' compensation.

A summary of gross premiums written in 2024 compared with 2023 by line of business within each business segment follows:

- **Insurance** - gross premiums increased 12% to \$6,282 million in 2024 from \$5,620 million in 2023. Gross premiums increased \$299 million (14%) for other liability, \$262 million (19%) for short-tail lines, \$112 million (17%) for auto and \$1 million (less than 1%) for workers' compensation, partially offset by a reduction of \$12 million (2%) for professional liability.
- **Reinsurance & Monoline Excess** - gross premiums increased 4% to \$799 million in 2024 from \$766 million in 2023. Gross premiums increased \$44 million (22%) for property and \$15 million (10%) for monoline excess, partially offset by a reduction of \$26 million (6%) for casualty.

Net premiums written were \$5,978 million in 2024, an increase of 11% from \$5,386 million in 2023. Ceded reinsurance premiums as a percentage of gross written premiums were 16% in both 2024 and 2023.

Premiums earned increased 11% to \$5,611 million in 2024 from \$5,044 million in 2023. Insurance premiums (including the impact of rate changes) are generally earned evenly over the policy term, and accordingly, recent rate increases will be earned over the upcoming quarters. Premiums earned in 2024 are related to business written during both 2024 and 2023. Audit premiums were \$184 million in 2024 compared with \$183 million in 2023.

**Net Investment Income.** Following is a summary of net investment income for the six months ended June 30, 2024 and 2023:

(\$ in thousands)	Amount		Average Annualized Yield	
	2024	2023	2024	2023
Fixed maturity securities, including cash and cash equivalents and loans receivable	\$ 659,384	\$ 413,473	5.7 %	4.0 %
Arbitrage trading account	34,693	35,293	5.7	5.9
Equity securities	23,721	29,000	4.8	5.1
Investment funds	(3,873)	993	(0.5)	0.1
Real estate	(16,868)	(5,834)	(2.7)	(0.9)
Gross investment income	697,057	472,925	4.9	3.7
Investment expenses	(5,090)	(4,374)	—	—
Total	\$ 691,967	\$ 468,551	4.9 %	3.6 %

Net investment income increased 48% to \$692 million in 2024 from \$469 million in 2023 due primarily to a \$246 million increase in income from fixed maturity securities mainly driven by higher interest rates, a larger fixed maturity securities portfolio and our Argentine inflation-linked securities which is not expected to continue at this level (see below for further discussion), partially offset by an \$11 million decrease in real estate, a \$5 million decrease in income from investment funds, a \$5 million decrease in equity securities, a \$1 million decrease from arbitrage trading account and a \$1 million increase in investment expenses. The Company expects investment income to benefit as it continues to invest maturing securities at the current higher rates. The Company maintained the shortened duration of its fixed maturity security portfolio, with a small increase in average duration from 2.4 to 2.5 years, thereby reducing the potential impact of mark-to-market on the portfolio and positioning the Company to react quickly to changes in the current interest rate environment. Average invested assets, at cost (including cash and cash equivalents), were \$28.2 billion in 2024 up 9.2% from \$25.8 billion in 2023.

Pre-tax net investment income associated with the Argentine inflation-linked securities for the six months ended June 30, 2024 was \$159 million. Such investment income increased as a result of an adjustment to the inflation rate that was made by the Argentine government in late 2023. As certain of our Argentine bonds matured and were sold in the first six months of 2024 and the inflation rate has continued to decline, we do not expect investment income relating to these securities to continue at this level. The proceeds from the Argentine inflation-linked securities that matured and were sold in the first six months of 2024 have been reinvested.

**Insurance Service Fees.** The Company earns fees from an insurance distribution business (part of which was sold in June 2023), a third-party administrator and as a servicing carrier of workers' compensation assigned risk plans for certain states. Insurance service fees were \$53 million in 2024 and \$58 million in 2023. The decrease in service fees resulted from the sale of the property and casualty insurance services division of Breckenridge IS, Inc.

**Net Realized and Unrealized (Losses) Gains on Investments.** The Company buys and sells securities and other investment assets on a regular basis in order to maximize its total return on investments. Decisions to sell securities and other investment assets are based on management's view of the underlying fundamentals of specific investments as well as management's expectations regarding interest rates, credit spreads, currency values and general economic conditions. Net realized and unrealized losses on investments were \$49 million in 2024 compared with net gains of \$91 million in 2023. The losses of \$49 million in 2024 reflected an increase in unrealized losses on equity securities of \$41 million and net realized losses on investments of \$8 million. The gains of \$91 million in 2023 reflected net realized gains on investments of \$26 million (primarily a pre-tax net realized gain of \$88 million on the sale of the property and casualty insurance services division of Breckenridge IS, Inc., partially offset by an impairment of \$51 million recognized on a real estate investment) and an increase in unrealized gains on equity securities of \$65 million.

**Change in Allowance for Expected Credit Losses on Investments.** Based on credit factors, the allowance for expected credit losses is increased or decreased depending on the percentage of unrealized loss relative to amortized cost by security, changes in rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. The pre-tax change in allowance for expected credit losses on investments decreased by \$16 million (\$13 million after-tax) and increased by \$10 million (\$8 million after-tax) in 2024 and 2023, respectively, which are both reflected in net investment gains, primarily due to a change in estimate.

**Revenues from Non-Insurance Businesses.** Revenues from non-insurance businesses were derived from businesses engaged in the distribution of promotional merchandise, world-wide textile solutions and aviation-related businesses that provide services to aviation markets, including (i) the distribution, manufacturing, repair and overhaul of aircraft parts and components, (ii) the sale of new and used aircraft, and (iii) avionics, fuel, maintenance, storage and charter services. Revenues from non-insurance businesses were \$247 million in 2024 and \$238 million in 2023. The increase mainly relates to aviation-related business and commercial and residential textile business, partially offset by the decrease from promotional merchandise business.

**Losses and Loss Expenses.** Losses and loss expenses increased to \$3,444 million in 2024 from \$3,108 million in 2023. The consolidated loss ratio was 61.4% in 2024 and 61.6% in 2023. Catastrophe losses, net of reinsurance recoveries, were \$120 million in 2024 and \$101 million in 2023. Favorable prior year reserve development (net of premium offsets) was \$2 million in 2024 and adverse prior year reserve development was \$21 million in 2023. The loss ratio excluding catastrophe losses and prior year reserve development increased 0.1 points to 59.3% in 2024 from 59.2% in 2023.

A summary of loss ratios in 2024 compared with 2023 by business segment follows:

- **Insurance** - The loss ratio was 62.9% in 2024 and 62.8% in 2023. Catastrophe losses were \$114 million in 2024 compared with \$93 million in 2023. Adverse prior year reserve development was \$6 million in 2024 and \$19 million in 2023. The loss ratio excluding catastrophe losses and prior year reserve development increased 0.1 points to 60.4% in 2024 from 60.3% in 2023.
- **Reinsurance & Monoline Excess** - The loss ratio was 51.3% in 2024 and 53.9% in 2023. Catastrophe losses were \$6 million in 2024 compared with \$8 million in 2023. Favorable prior year reserve development was \$8 million in 2024 and adverse prior year reserve development was \$2 million in 2023. The loss ratio excluding catastrophe losses and prior year reserve development decreased 0.9 points to 51.5% in 2024 from 52.4% in 2023.

**Other Operating Costs and Expenses.** Following is a summary of other operating costs and expenses for the six months ended June 30, 2024 and 2023:

<b>(\$ in thousands)</b>	<b>2024</b>	<b>2023</b>
Policy acquisition and insurance operating expenses	\$ 1,603,529	\$ 1,436,510
Insurance service expenses	44,523	49,111
Net foreign currency (gains) losses	(23,295)	20,721
Other costs and expenses	136,767	142,913
<b>Total</b>	<b>\$ 1,761,524</b>	<b>\$ 1,649,255</b>

Policy acquisition and insurance operating expenses are comprised of commissions paid to agents and brokers, premium taxes and other assessments and internal underwriting costs. Policy acquisition and insurance operating expenses increased 12% and net premiums earned increased 11% from 2023. The expense ratio (underwriting expenses expressed as a percentage of net premiums earned) increased 0.1 points to 28.6% in 2024 from 28.5% in 2023.

Service expenses, which represent the costs associated with the fee-based businesses, was \$45 million in 2024, down from \$49 million in 2023, as a result of the sale of the property and casualty insurance services division of Breckenridge IS, Inc.

Net foreign currency (gains) losses result from transactions denominated in a currency other than a company's operating functional currency. Net foreign currency gains were \$23 million in 2024 compared to losses of \$21 million in 2023, primarily due to the strengthening of the U.S. dollar against other currencies in 2024.

Other costs and expenses represent general and administrative expenses of the parent company and other expenses not allocated to business segments, including the cost of certain long-term incentive plans and new business ventures. Other costs and expenses decreased to \$137 million in 2024 from \$143 million in 2023, primarily due to lower new start-up operating unit expenses.

Expenses from Non-Insurance Businesses. Expenses from non-insurance businesses represent costs associated with businesses engaged in the distribution of promotional merchandise, world-wide textile solutions and aviation-related businesses that include (i) cost of goods sold related to aircraft and products sold and services provided, and (ii) general and administrative expenses. Expenses from non-insurance businesses were \$240 million in 2024 compared to \$236 million in 2023. The increase

mainly relates to commercial and residential textile business, partially offset by the decrease from promotional merchandise business.

Interest Expense. Interest expense was \$63 million in 2024 and \$64 million in 2023.

Income Taxes. The effective income tax rate was 23.3% and 21.8% for the six months ended June 30, 2024 and 2023, respectively. The higher effective income tax rate for the six months ended June 30, 2024, as compared to the earlier period, was primarily due to the geographical mix of earnings and larger amounts being subject to tax at a rate greater than the U.S. statutory rate.

The Company has not provided U.S. deferred income taxes on the undistributed earnings of approximately \$400 million of its non-U.S. subsidiaries since these earnings are intended to be permanently reinvested in the non-U.S. subsidiaries. In the future, if such earnings were distributed, the Company projects that the incremental tax, if any, will be immaterial.

From 2023, as part of the Inflation Reduction Act of 2022, a 1% excise tax is imposed on common share repurchase activity, net of common share issuances, and is included in the cost of treasury stock acquired.

## Results of Operations for the Three Months Ended June 30, 2024 and 2023

### Business Segment Results

Following is a summary of gross and net premiums written, net premiums earned, loss ratios (losses and loss expenses incurred expressed as a percentage of net premiums earned), expense ratios (underwriting expenses expressed as a percentage of net premiums earned) and GAAP combined ratios (sum of loss ratio and expense ratio) for each of our business segments for the three months ended June 30, 2024 and 2023. The GAAP combined ratio represents a measure of underwriting profitability, excluding investment income. A GAAP combined ratio in excess of 100 indicates an underwriting loss; a number below 100 indicates an underwriting profit.

(\$ in thousands)	2024	2023
<b>Insurance:</b>		
Gross premiums written	\$ 3,360,850	\$ 2,994,059
Net premiums written	2,810,448	2,505,856
Net premiums earned	2,484,569	2,215,186
Loss ratio	64.0 %	63.1 %
Expense ratio	28.4 %	27.8 %
GAAP combined ratio	92.4 %	90.9 %
<b>Reinsurance &amp; Monoline Excess:</b>		
Gross premiums written	\$ 356,922	\$ 342,714
Net premiums written	316,331	305,659
Net premiums earned	361,846	337,541
Loss ratio	52.8 %	51.2 %
Expense ratio	29.0 %	30.1 %
GAAP combined ratio	81.8 %	81.3 %
<b>Consolidated:</b>		
Gross premiums written	\$ 3,717,772	\$ 3,336,773
Net premiums written	3,126,779	2,811,515
Net premiums earned	2,846,415	2,552,727
Loss ratio	62.6 %	61.5 %
Expense ratio	28.5 %	28.1 %
GAAP combined ratio	91.1 %	89.6 %

**Net Income to Common Stockholders.** The following table presents the Company's net income to common stockholders and net income per diluted share for the three months ended June 30, 2024 and 2023:

(In thousands, except per share data)	2024	2023
Net income to common stockholders	\$ 371,909	\$ 356,308
Weighted average diluted shares	403,737	409,643
Net income per diluted share	\$ 0.92	\$ 0.87

The Company reported net income to common stockholders of \$372 million in 2024 compared to \$356 million in 2023. The \$16 million increase in net income was primarily due to an after-tax increase in net investment income of \$97 million mainly due to higher interest rates, a larger fixed maturity securities portfolio and investment income associated with our Argentine inflation-linked securities, an after-tax increase in foreign currency gains of \$16 million mainly due to the strengthening of the U.S. dollar in 2024, an after-tax increase in profits from non-insurance businesses of \$3 million, an after-tax reduction in corporate expenses of \$2 million and an after-tax increase in profit from insurance service businesses of \$2 million, partially offset by an after-tax reduction in net investment gains of \$89 million mainly due to the foreign currency losses from Argentine peso-denominated investments and reversal of prior unrealized gains on equity securities, an after-tax reduction in underwriting income of \$8 million and an increase of \$7 million in tax expense due to a change in the effective tax rate. The number of weighted average diluted shares decreased 5.9 million for 2024 compared to 2023, mainly reflecting shares repurchased in 2024 and 2023.

**Premiums.** Gross premiums written were \$3,718 million in 2024, an increase of 11% from \$3,337 million in 2023. The increase was due to a \$367 million increase in the Insurance segment and a \$14 million increase in the Reinsurance & Monoline Excess segment. Approximately 80% of premiums expiring in 2024 and 2023 were renewed.

Average renewal rates (per unit of exposure) for insurance and facultative reinsurance increased 7.3% in 2024, and increased 8.3% excluding workers' compensation.

A summary of gross premiums written in 2024 compared with 2023 by line of business within each business segment follows:

- **Insurance** - gross premiums increased 12% to \$3,361 million in 2024 from \$2,994 million in 2023. Gross premiums increased \$166 million (15%) for other liability, \$128 million (17%) for short-tail lines, \$58 million (16%) for auto, \$9 million (2%) for professional liability and \$6 million (2%) for workers' compensation.
- **Reinsurance & Monoline Excess** - gross premiums increased 4% to \$357 million in 2024 from \$343 million in 2023. Gross premiums increased \$17 million (15%) for property and \$2 million (5%) for monoline excess, and decreased \$5 million (2%) for casualty.

Net premiums written were \$3,127 million in 2024, an increase of 11% from \$2,812 million in 2023. Ceded reinsurance premiums as a percentage of gross written premiums were both 16% in 2024 and 2023.

Premiums earned increased 12% to \$2,846 million in 2024 from \$2,553 million in 2023. Insurance premiums (including the impact of rate changes) are generally earned evenly over the policy term, and accordingly, recent rate increases will be earned over the upcoming quarters. Premiums earned in 2024 are related to business written during both 2024 and 2023. Audit premiums were \$96 million in 2024 compared with \$92 million in 2023 due to an increase in exposures.

**Net Investment Income.** Following is a summary of net investment income for the three months ended June 30, 2024 and 2023:

(\$ in thousands)	Amount		Average Annualized Yield	
	2024	2023	2024	2023
Fixed maturity securities, including cash and cash equivalents and loans receivable	\$ 324,136	\$ 217,830	5.5 %	4.2 %
Investment funds	25,476	(1,186)	6.5	(0.3)
Arbitrage trading account	16,682	17,037	5.5	5.7
Equity securities	12,386	15,254	5.0	5.4
Real estate	(3,705)	(2,123)	(1.2)	(0.6)
Gross investment income	374,975	246,812	5.3	3.8
Investment expenses	(2,846)	(1,660)	—	—
Total	\$ 372,129	\$ 245,152	5.2 %	3.8 %

Net investment income increased 52% to \$372 million in 2024 from \$245 million in 2023 due primarily to an \$106 million increase in income from fixed maturity securities mainly driven by higher interest rates, a larger fixed maturity securities portfolio and our Argentine inflation-linked securities which is not expected to continue at this level (see below for further discussion) and a \$27 million increase in income from investment funds primarily due to transportation funds and real estate funds, partially offset by a \$3 million decrease in equity securities, a \$2 million decrease in real estate and a \$1 million increase in investment expenses. The Company expects investment income to benefit as it continues to invest maturing securities at the current higher rates. The Company maintained the shortened duration of its fixed maturity security portfolio, with a small increase in average duration from 2.4 to 2.5 years, thereby reducing the potential impact of mark-to-market on the portfolio and positioning the Company to react quickly to changes in the current interest rate environment. Average invested assets, at cost (including cash and cash equivalents), were \$28.5 billion in 2024 and \$26.0 billion in 2023.

Pre-tax net investment income associated with the Argentine inflation-linked securities for the three months ended June 30, 2024 was \$63 million. Such investment income increased as a result of an adjustment to the inflation rate that was made by the Argentine government in late 2023. As certain of our Argentine bonds were sold during the three months ended June 30, 2024 and the inflation rate has continued to decline, we do not expect investment income relating to these securities to continue at this level. The proceeds from the Argentine inflation-linked securities that were sold in the second quarter of 2024 have been reinvested.

**Insurance Service Fees.** The Company earns fees from an insurance distribution business, a third-party administrator and as a servicing carrier of workers' compensation assigned risk plans for certain states. Insurance service fees increased to \$28 million in 2024 from \$25 million in 2023.

**Net Realized and Unrealized (Losses) Gains on Investments.** The Company buys and sells securities and other investment assets on a regular basis in order to maximize its total return on investments. Decisions to sell securities and other investment assets are based on management's view of the underlying fundamentals of specific investments as well as management's expectations regarding interest rates, credit spreads, currency values and general economic conditions. Net realized and unrealized losses on investments were \$60 million in 2024 compared with net gains of \$69 million in 2023. The losses of \$60 million in 2024 reflected an increase in unrealized losses on equity securities of \$66 million, partially offset by net realized gains on investments of \$6 million. The gains of \$69 million in 2023 reflected net realized gains on investments of \$48 million (primarily a pre-tax net realized gain of \$88 million on the sale of the property and casualty insurance services division of Breckenridge IS, Inc., partially offset by an impairment of \$51 million recognized on a real estate investment) and an increase in unrealized gains on equity securities of \$21 million.

**Change in Allowance for Expected Credit Losses on Investments.** Based on credit factors, the allowance for expected credit losses is increased or decreased depending on the percentage of unrealized loss relative to amortized cost by security, changes in rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. The pre-tax change in allowance for expected credit losses on investments decreased by \$2 million (\$1.6 million after-tax) and increased by \$10 million (\$8 million after-tax) in 2024 and 2023, respectively, which are both reflected in net investment gains, primarily due to a change in estimate.

**Revenues from Non-Insurance Businesses.** Revenues from non-insurance businesses were derived from businesses engaged in the distribution of promotional merchandise, world-wide textile solutions and aviation-related businesses that provide services to aviation markets, including (i) the distribution, manufacturing, repair and overhaul of aircraft parts and components, (ii) the sale of new and used aircraft, and (iii) avionics, fuel, maintenance, storage and charter services. Revenues from non-insurance businesses were \$126 million in 2024 and \$114 million in 2023. The increase mainly relates to aviation-related business and commercial and residential textile business, partially offset by the decrease from promotional merchandise business.

**Losses and Loss Expenses.** Losses and loss expenses increased to \$1,781 million in 2024 from \$1,570 million in 2023. The consolidated loss ratio was 62.6% in 2024 and 61.5% in 2023. Catastrophe losses, net of reinsurance recoveries were \$90 million in 2024 and \$54 million in 2023. Favorable prior year reserve development (net of premium offsets) was \$1 million in 2024 and \$3 million in 2023. The loss ratio excluding catastrophe losses and prior year reserve development decreased by 0.1% to 59.4% in 2024 from 59.5% in 2023.

A summary of loss ratios in 2024 compared with 2023 by business segment follows:

- **Insurance** - The loss ratio was 64.0% in 2024 and 63.1% in 2023. Catastrophe losses were \$87 million in 2024 compared with \$48 million in 2023. Favorable prior year reserve development was \$3 million in 2024 and adverse prior year development was \$7 million in 2023. The loss ratio excluding catastrophe losses and prior year reserve development remained flat at 60.6% in both 2024 and 2023.
- **Reinsurance & Monoline Excess** - The loss ratio was 52.8% in 2024 and 51.2% in 2023. Catastrophe losses were \$3 million in 2024 compared with \$6 million in 2023. Adverse prior year reserve development was \$2 million in 2024 and favorable prior year reserve development was \$10 million in 2023. The loss ratio excluding catastrophe losses and prior year reserve development decreased 1.1 points to 51.5% in 2024 from 52.6% in 2023.

**Other Operating Costs and Expenses.** Following is a summary of other operating costs and expenses for the three months ended June 30, 2024 and 2023:

<b>(\$ in thousands)</b>	<b>2024</b>	<b>2023</b>
Policy acquisition and insurance operating expenses	\$ 811,997	\$ 718,234
Insurance service expenses	23,084	23,931
Net foreign currency (gains) losses	(10,118)	11,226
Other costs and expenses	67,972	70,291
Total	<u>\$ 892,935</u>	<u>\$ 823,682</u>

Policy acquisition and insurance operating expenses are comprised of commissions paid to agents and brokers, premium taxes and other assessments and internal underwriting costs. Policy acquisition and insurance operating expenses increased 13% and net premiums earned increased 12% from 2023. The expense ratio (underwriting expenses expressed as a percentage of net premiums earned) increased 0.4 points to 28.5% in 2024 from 28.1% in 2023 mainly due to higher commissions from business mix.

Service expenses, which represent the costs associated with the fee-based businesses, were \$23 million in 2024, down from \$24 million in 2023.

Net foreign currency gains result from transactions denominated in a currency other than a company's operating functional currency. Net foreign currency gains were \$10 million in 2024 compared to losses of \$11 million in 2023, primarily related to the strengthening of the U.S. dollar in 2024.

Other costs and expenses represent general and administrative expenses of the parent company and other expenses not allocated to business segments, including the cost of certain long-term incentive plans and new business ventures. Other costs and expenses decreased to \$68 million in 2024 from \$70 million in 2023, primarily due to lower new start-up operating unit expenses.

Expenses from Non-Insurance Businesses. Expenses from non-insurance businesses represent costs associated with businesses engaged in the distribution of promotional merchandise, world-wide textile solutions and aviation-related businesses that include (i) cost of goods sold related to aircraft and products sold and services provided, and (ii) general and administrative expenses. Expenses from non-insurance businesses were \$121 million in 2024 compared to \$114 million in 2023. The increase mainly relates to aviation-related business and commercial and residential textile business, partially offset by the decrease from promotional merchandise business.

Interest Expense. Interest expense was \$32 million in both 2024 and 2023.

Income Taxes. The effective income tax rate was 23.7% and 22.2% for the three months ended June 30, 2024 and 2023, respectively. The higher effective income tax rate for both the three months ended June 30, 2024 and 2023 was primarily due to the geographical mix of earnings and larger amounts being subject to tax at a rate greater than the U.S. statutory rate.

The Company has not provided U.S. deferred income taxes on the undistributed earnings of approximately \$400 million of its non-U.S. subsidiaries since these earnings are intended to be permanently reinvested in the non-U.S. subsidiaries. In the future, if such earnings were distributed, the Company projects that the incremental tax, if any, will be immaterial.

From 2023, as part of the Inflation Reduction Act of 2022, a 1% excise tax is imposed on common share repurchase activity, net of common share issuances, and is included in the cost of treasury stock acquired.

## Investments

As part of its investment strategy, the Company establishes a level of cash and highly liquid short-term and intermediate-term securities that, combined with expected cash flow, it believes is adequate to meet its payment obligations. In addition to fixed maturity securities, the Company invests in equity securities, merger arbitrage securities, investment funds, private equity, loans and real estate related assets. The Company's investments in investment funds and its other alternative investments have experienced, and the Company expects to continue to experience, greater fluctuations in investment income.

The Company also attempts to maintain an appropriate relationship between the average duration of the investment portfolio and the approximate duration of its liabilities (i.e., policy claims and debt obligations). The average duration of the fixed maturity portfolio, including cash and cash equivalents, was 2.5 years at June 30, 2024 and 2.4 years at December 31, 2023. The Company's fixed maturity investment portfolio and investment-related assets as of June 30, 2024 were as follows:

(\$ in thousands)	Carrying Value	Percent of Total
Fixed maturity securities:		
U.S. government and government agencies	\$ 1,822,376	6.5 %
State and municipal:		
Special revenue	1,508,209	5.4
State general obligation	443,673	1.6
Local general obligation	379,024	1.4
Corporate backed	161,332	0.6
Pre-refunded (1)	87,978	0.3
Total state and municipal	<u>2,580,216</u>	<u>9.3</u>
Mortgage-backed:		
Agency	1,855,209	6.6
Commercial	558,051	2.0
Residential-Prime	179,841	0.6
Residential-Alt A	2,508	—
Total mortgage-backed	<u>2,595,609</u>	<u>9.2</u>
Asset-backed	4,014,446	14.3
Corporate:		
Industrial	3,893,745	13.9
Financial	3,196,583	11.4
Utilities	711,967	2.5
Other	610,125	2.2
Total corporate	<u>8,412,420</u>	<u>30.0</u>
Foreign government and foreign government agencies	<u>1,657,609</u>	<u>5.9</u>
Total fixed maturity securities	<u>21,082,676</u>	<u>75.2</u>
Equity securities:		
Common stocks	696,555	2.5
Preferred stocks	381,537	1.4
Total equity securities	<u>1,078,092</u>	<u>3.9</u>
Investment funds	1,589,119	5.7
Cash and cash equivalents (2)	1,411,140	5.0
Real estate	1,279,306	4.6
Arbitrage trading account	1,221,861	4.4
Loans receivable	349,325	1.2
Total investments	<u>\$ 28,011,519</u>	<u>100.0 %</u>

(1) Pre-refunded securities are securities for which an escrow account has been established to fund the remaining payments of principal and interest through maturity. Such escrow accounts are funded almost exclusively with U.S. Treasury and U.S. government agency securities.

(2) Cash and cash equivalents includes trading accounts receivable from brokers and clearing organizations, trading account securities sold but not yet purchased and unsettled purchases.

**Fixed Maturity Securities.** The Company's investment policy with respect to fixed maturity securities is generally to purchase instruments with the expectation of holding them to their maturity. However, management of the available for sale portfolio is considered necessary to maintain an approximate matching of assets and liabilities as well as to adjust the portfolio as a result of changes in financial market conditions and tax considerations.

The Company's philosophy related to holding or selling fixed maturity securities is based on its objective of maximizing total return. The key factors that management considers in its investment decisions as to whether to hold or sell fixed maturity securities are its view of the underlying fundamentals of specific securities as well as its expectations regarding interest rates, credit spreads and currency values. In a period in which management expects interest rates to rise, the Company may sell longer duration securities in order to mitigate the impact of an interest rate rise on the fair value of the portfolio. Similarly, in a period in which management expects credit spreads to widen, the Company may sell lower quality securities, and in a period in which management expects certain foreign currencies to decline in value, the Company may sell securities denominated in those foreign currencies. The sale of fixed maturity securities in order to achieve the objective of maximizing total return may result in realized gains or losses; however, there is no reason to expect these gains or losses to continue in future periods.

**Equity Securities.** Equity securities primarily represent investments in common and preferred stocks in companies with potential growth opportunities in different sectors, mainly in the financial institutions, energy and technology sectors.

**Investment Funds.** At June 30, 2024, the carrying value of investment funds was \$1.6 billion, including investments in financial services funds of \$436 million, other funds of \$376 million (which includes a deferred compensation trust asset of \$41 million), transportation funds of \$306 million, real estate funds of \$198 million, infrastructure funds of \$141 million and energy funds of \$132 million. Investment funds are generally reported on a one-quarter lag.

**Real Estate.** Real estate is directly owned property held for investment. At June 30, 2024, real estate properties in operation included a long-term ground lease in Washington D.C., an office complex in New York City and the completed portion of a mixed-use project in Washington D.C. In addition, part of the previously mentioned mixed-use project in Washington D.C. is under development. The Company expects to fund further development costs for the project with a combination of its own funds and external financing.

**Arbitrage Trading Account.** The arbitrage trading account is comprised of direct investments in arbitrage securities. Merger arbitrage is the business of investing in the securities of publicly held companies that are the targets in announced tender offers and mergers.

**Loans Receivable.** Loans receivable, which are carried at amortized cost (net of allowance for expected credit losses), had an amortized cost of \$349 million and an aggregate fair value of \$349 million at June 30, 2024. The amortized cost of loans receivable is net of an allowance for expected credit losses of \$2 million as of June 30, 2024. Loans receivable include real estate loans of \$348 million that are secured by commercial and residential real estate located primarily in the UK and New York. Real estate loans generally earn interest at fixed or stepped interest rates and have maturities through 2026. Loans receivable include commercial loans of \$1 million that are secured by business assets and have fixed interest rates with varying maturities not exceeding 10 years.

**Market Risk.** The fair value of the Company's investments is subject to risks of fluctuations in credit quality and interest rates. The Company uses various models and stress test scenarios to monitor and manage interest rate risk. The Company attempts to manage its interest rate risk by maintaining an appropriate relationship between the effective duration of the investment portfolio and the approximate duration of its liabilities (i.e., policy claims and debt obligations). The effective duration for the fixed maturity portfolio (including cash and cash equivalents) was 2.5 years at June 30, 2024 and 2.4 years at December 31, 2023.

In addition, the fair value of the Company's international investments is subject to currency risk. The Company attempts to manage its currency risk by matching its foreign currency assets and liabilities where considered appropriate.

## Liquidity and Capital Resources

**Cash Flow.** Cash flow provided from operating activities increased to \$1,628 million in the six months ended June 30, 2024 from \$1,154 million in the six months ended June 30, 2023, primarily due to increased premium receipts.

The Company's insurance subsidiaries' principal sources of cash are premiums, investment income, service fees and proceeds from sales and maturities of portfolio investments. The principal uses of cash are payments for claims, taxes, operating expenses and dividends. The Company expects its insurance subsidiaries to fund the payment of losses with cash received from premiums, investment income and fees. The Company generally targets an average duration for its investment portfolio that is within 1.5 years of the average duration of its liabilities so that portions of its investment portfolio mature throughout the claim cycle and are available for the payment of claims if necessary. In the event operating cash flow and proceeds from maturities and prepayments of fixed income securities are not sufficient to fund claim payments and other cash requirements, the remainder of the Company's cash and investments is available to pay claims and other obligations as they become due. The Company's investment portfolio is highly liquid, with approximately 80% invested in cash, cash equivalents and marketable fixed maturity securities as of June 30, 2024. If the sale of fixed maturity securities were to become necessary, a realized gain or loss equal to the difference between the cost and sales price of securities sold would be recognized.

**Debt.** At June 30, 2024, the Company had senior notes, subordinated debentures and other debt outstanding with a carrying value of \$2,838 million and a face amount of \$2,862 million. The maturities of the outstanding debt are \$7 million in 2024, \$250 million in 2037, \$350 million in 2044, \$470 million in 2050, \$400 million in 2052, \$185 million in 2058, \$300 million in 2059, \$250 million in 2060, and \$650 million in 2061.

On April 1, 2022, the Company entered into a senior unsecured revolving credit facility that provides for revolving, unsecured borrowings up to an aggregate of \$300 million with a \$50 million sublimit for letters of credit. The Company may increase the amount available under the facility to a maximum of \$500 million subject to obtaining lender commitments for the increase and other customary conditions. Borrowings under the facility may be used for working capital and other general corporate purposes. All borrowings under the facility must be repaid by April 1, 2027, except that letters of credit outstanding on that date may remain outstanding until April 1, 2028 (or such later date approved by all lenders). Our ability to utilize the facility is conditioned on the satisfaction of representations, warranties and covenants that are customary for facilities of this type. As of June 30, 2024, there were no borrowings outstanding under the facility.

**Equity.** At June 30, 2024, total common stockholders' equity was \$7.8 billion, common shares outstanding were 380,646,644 and stockholders' equity per outstanding share was \$20.42. During the six months ended June 30, 2024, the Company repurchased 4,298,510 shares of its common stock for \$223.8 million. In the second quarter of 2024, the board of directors of the Company declared a regular quarterly cash dividend of \$0.08 per share and a special quarterly cash dividend of \$0.33 per share. In the first quarter of 2024, the board of directors of the Company declared a regular quarterly cash dividend of \$0.07 per share. The number of common shares outstanding excludes shares held in a grantor trust established by the Company for delivery upon settlement of vested but mandatorily deferred RSUs.

**Total Capital.** Total capitalization (equity, debt and subordinated debentures) was \$10.6 billion at June 30, 2024. The percentage of the Company's capital attributable to senior notes, subordinated debentures and other debt was 27% at June 30, 2024 and 28% at December 31, 2023.

### Item 3. Quantitative and Qualitative Disclosure About Market Risk

Reference is made to the information under “Investments - Market Risk” under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Form 10-Q.

### Item 4. Controls and Procedures

Disclosure Controls and Procedures. The Company’s management, including its Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of the Company’s disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-14 as of the end of the period covered by this quarterly report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company has in place effective controls and procedures designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Securities Exchange Act of 1934, as amended, and the rules thereunder, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms.

Changes in Internal Control over Financial Reporting. During the quarter ended June 30, 2024, there were no changes in the Company’s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

## PART II — OTHER INFORMATION

### Item 1. Legal Proceedings

Please see Note 20 to the notes to the interim consolidated financial statements.

### Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in the Company’s annual report on Form 10-K for the fiscal year ended December 31, 2023.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Set forth below is a summary of the shares repurchased by the Company during the three months ended June 30, 2024, and the number of shares remaining authorized for purchase by the Company:

	<b>Total number of shares purchased</b>	<b>Average price paid per share</b>	<b>Total number of shares purchased as part of publicly announced plans or programs</b>	<b>Maximum number of shares that may yet be purchased under the plans or programs</b>
April 2024	1,631,967	\$ 51.85	1,631,967	18,229,958
May 2024	1,238,660	\$ 52.28	1,238,660	16,991,298
June 2024	1,427,883	\$ 52.10	1,427,883	15,563,415

### Item 5. Other Information

None of the Company's directors or officers adopted, modified or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the quarter ended June 30, 2024, as such terms are defined under Item 408(a) of Regulation S-K.

Item 6. Exhibits

Number

- (31.1) Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/ 15d-14(a).
- (31.2) Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/ 15d-14(a).
- (32.1) Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

W. R. BERKLEY CORPORATION

Date: August 2, 2024

/s/ W. Robert Berkley, Jr.

W. Robert Berkley, Jr.  
President and Chief Executive Officer

Date: August 2, 2024

/s/ Richard M. Baio

Richard M. Baio  
Executive Vice President -  
Chief Financial Officer

## CERTIFICATIONS

I, W. Robert Berkley, Jr., President and Chief Executive Officer of W. R. Berkley Corporation (the “registrant”), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 2, 2024

/s/ W. Robert Berkley, Jr.

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W. Robert Berkley, Jr.

President and  
Chief Executive Officer

## CERTIFICATIONS

I, Richard M. Baio, Senior Vice President - Chief Financial Officer and Treasurer of W. R. Berkley Corporation (the "registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2024

/s/ Richard M. Baio

Richard M. Baio  
Executive Vice President,  
Chief Financial Officer and Treasurer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of W. R. Berkley Corporation (the "Company") on Form 10-Q for the period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, W. Robert Berkley, Jr., President and Chief Executive Officer of the Company, and Richard M. Baio, Senior Vice President - Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ W. Robert Berkley, Jr.

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W. Robert Berkley, Jr.

President and Chief Executive Officer

/s/ Richard M. Baio

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Richard M. Baio

Executive Vice President,  
Chief Financial Officer and Treasurer

August 2, 2024

A signed original of this written statement required by Section 906 has been provided to W. R. Berkley Corporation (the "Company") and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.