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Investment report

FM's investment portfolio generated a total return of 10.3% in 2024, driven by positive returns across asset classes. FM Investment Management's (FMIM) investment strategy continues to deliver solid results through our long-term approach to investments, robust portfolio diversification, and dynamic investment management framework. We continue to focus on risk management and building a resilient, high quality, and well diversified portfolio.

At the start of the year, U.S. economic growth and inflation were expected to slow, which would have allowed the Federal Reserve Bank (Fed) to quickly ease monetary policy by lowering interest rates. Many investors positioned defensively for this "soft landing" slowdown. As the year progressed, inflation readings did not decline as quickly as anticipated, while economic growth remained resilient and stronger than expected. This led to intermittent bouts of market volatility as investors rotated between pro-risk and defensive positioning. In August, the unwinding of Japanese yen-funded carry trades, combined with rising concerns about a sharp slowdown in the U.S. labor market, resulted in a sharp but brief sell-off in risk assets.

Markets quickly recovered, and in September the Federal Reserve finally began to lower interest rates, reducing its overnight policy rate by 100 basis points over the remainder of the year. Although short-term interest rates followed Fed policy lower, longer-term interest rates rose on expectations for larger U.S. government fiscal deficits. As a result, the U.S. yield curve normalized with long-term yields higher than short-term yields. Following November's United States Presidential election, risk assets rose as investors expected de-regulation benefits from the incoming Trump administration, but gave back some ground later in December. Still, risk assets finished with strong gains for the full year.

2024 was another year of U.S. exceptionalism, both for economic growth and equity markets. Non-U.S. developed economies and equity markets trailed those of the U.S. The U.S. dollar continued to rise, supported by the comparatively stronger U.S. economy and higher interest yields. Gold, usually a safe-haven asset, was higher for the year, despite a typically inverse relationship with the U.S. dollar.

FM's portfolio performance was driven by equities as the bull market continued. The S&P 500 index delivered its best back-to-back annual returns in more than 25 years. On the other hand, international developed and emerging market equities had more tepid results, facing headwinds from more anemic economic growth, geopolitical turmoil, and potential fallout from trade war escalation.

In fixed income, the rise in intermediate- and long-term U.S. interest rates and a steeper yield curve negatively impacted many fixed income markets. However, higher yields and healthy credit fundamentals helped push spreads tighter. Tight spreads, low default rates, and relatively high carry combined to more than offset the negative impact of the rise in interest rates, resulting in modest positive total returns for fixed income.

Alternative investments generated reasonably positive returns. Private market asset returns were healthy, but more modest than public equity returns given the tendency for private market valuations to lag. Liquid alternative strategies generated strong performance, flexibly capturing opportunities across asset classes and markets, often taking advantage of this year's increased volatility. The overall alternatives allocation is designed to provide a diversifying risk/return profile, especially during broader market drawdowns.

Hobbs Brook Real Estate (HBRE), which manages FM's direct real estate portfolio, continued its evolution towards the development and operation of an institutional-quality real estate investment portfolio. HBRE led its respective markets in overall leasing activity, executing approximately 754K square feet of new and renewal leases, including two of the largest five suburban Boston lease transactions of 2024. Select assets have been targeted for disposition or acquisition to optimize the portfolio.

After completing a comprehensive strategic asset allocation study, the portfolio was adjusted and rebalanced to reflect FMIM's evolving macroeconomic and market outlook. FMIM's focus remains on investing with a long-term horizon with adjustments and enhancements to mitigate near term market volatility.

FMIM continues to work closely with the broader FM organization, providing unique perspectives and subject matter expertise, creating and fostering symbiotic partnerships with best-in-class investment firms, and acting as a prudent steward of long-term capital.

Investment report

Real estate

Hubbs Brook Real Estate (“HBRE”) invests in and manages real estate assets on behalf of FMGIM throughout the United States. Additionally, HBRE’s Construction Management Department provides functional support to FM’s business operations globally to meet ongoing real estate requirements. The investment and management of commercial assets provides an additional element of diversification for FM’s investment portfolio. The acquisition, construction, development, and asset management departments of HBRE work to optimize returns and align the real estate investment portfolio with FM standards in risk mitigation. In 2024, HBRE managed 4.5 million ft² (418,000 m²) of commercial properties, which produced \$171.0 million[†] in total revenue and \$62.0 million[†] in cash flow.

Pretax Contribution to Surplus (in millions) †	2024	2023
Investment income	\$ 790	\$ 602
Realized gains	1,502	406
Unrealized gains	823	1,900
Total	\$ 3,115	\$ 2,908

As of Dec. 31,	2024		2023	
Holdings (in millions) [†]	Total	Percentage	Total	Percentage
Equities:				
Equity securities	\$ 16,063		\$ 13,421	
Other – equity funds	87		97	
Total equities	\$ 16,150	51.7%	\$ 13,518	50.1%
Debt securities:				
Taxable debt securities	\$ 9,246		\$ 7,780	
Municipal debt securities	1,322		1,465	
Total debt securities	\$ 10,568	33.8%	\$ 9,245	34.3%
Other – alternative investments:				
Private equity	\$ 1,414		\$ 1,351	
Hedge funds	1,070		925	
Other alternative investments	289		161	
Total other – alternative investments	\$ 2,773	8.9%	\$ 2,437	9.0%
Short-term funds and cash	1,742	5.6%	1,779	6.6%
Total	\$ 31,233	100.0%	\$ 26,979	100.0%

[†] All financial values in U.S. dollars.

Management's statement on internal control over financial reporting

The management of FM is responsible for establishing and maintaining adequate internal control over financial reporting and for the preparation and integrity of the accompanying financial statements and other related information in this report. The consolidated financial statements of the Company and its subsidiaries, including the notes to consolidated financial statements, were prepared in accordance with U.S. generally accepted accounting principles and include judgments and estimates, which, in the opinion of management, are applied on an appropriate basis. The Company maintains a system of internal and disclosure controls intended to provide reasonable assurance that assets are safeguarded from loss or material misuse, that transactions are authorized and recorded properly, and that the accounting records may be relied upon for the preparation of the financial statements. This system is tested and evaluated regularly for adherence and effectiveness by the Company's staff of internal auditors.

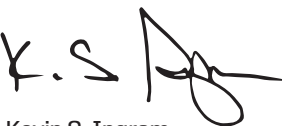
The audit committee of the Board of Directors, which comprises directors who are not employees of the Company, meets regularly with management and the internal auditors to review the Company's financial policies and procedures, its internal control structure, the objectivity of its financial reporting and the independence of the Company's independent public accounting firm. The internal auditors have free and direct access to the audit committee, and they meet periodically, without management present, to discuss appropriate matters.

Because of inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements and even when determined to be effective, can only provide reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are also subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

These consolidated financial statements are subject to an evaluation of internal control over financial reporting conducted under the supervision and with the participation of management, including the chief executive officer and chief financial officer. Based on that evaluation, conducted under the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, management concluded that its internal control over financial reporting was effective as of December 31, 2024 and December 31, 2023.



Malcolm C. Roberts
Chairman and Chief Executive Officer



Kevin S. Ingram
Senior Executive Vice President
and Chief Financial Officer

Report of independent auditors

The Board of Directors and policyholders of Factory Mutual Insurance Company and subsidiaries

We have audited the consolidated financial statements of Factory Mutual Insurance Company and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, changes in policyholders' surplus and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Required supplementary information

Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2015-09, *Financial Services—Insurance (Topic 944): Disclosures about Short-Duration Contracts*, requires that the short-duration insurance contract disclosures for years prior to 2024 presented in Note 6 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the FASB, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Boston, Massachusetts
March 24, 2025

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style script.

Consolidated balance sheets

(in thousands)

Dec. 31,	2024	2023
Assets		
Investments:		
Debt securities	\$ 10,568,200	\$ 9,244,600
Equity securities	16,062,800	13,421,000
Other securities	2,859,600	2,533,900
Real estate	904,700	958,200
Total investments	<u>\$ 30,395,300</u>	<u>\$ 26,157,700</u>
Cash and cash equivalents	1,741,900	1,779,300
Recoverable from reinsurers	2,082,800	2,061,700
Premium receivable	1,818,900	1,859,600
Prepaid reinsurance premium	481,100	502,200
Premises and equipment	835,400	663,300
Other assets	2,047,100	1,455,200
Total assets	<u>\$ 39,402,500</u>	<u>\$ 34,479,000</u>
Liabilities		
Unpaid losses and loss adjustment expenses	\$ 6,122,600	\$ 5,265,200
Reserve for unearned premium	4,673,400	4,690,500
Current and deferred income taxes	819,000	572,600
Other liabilities	1,835,200	1,471,800
Total liabilities	<u>\$ 13,450,200</u>	<u>\$ 12,000,100</u>
Policyholders' Surplus		
Accumulated other comprehensive loss	\$ (810,500)	\$ (893,300)
Retained earnings	26,762,800	23,372,200
Total policyholders' surplus	<u>\$ 25,952,300</u>	<u>\$ 22,478,900</u>
Total liabilities and policyholders' surplus	<u>\$ 39,402,500</u>	<u>\$ 34,479,000</u>

See accompanying notes.

Consolidated statements of income

(in thousands)

Year ended Dec. 31,	2024	2023
Gross premium earned	\$ 9,773,000	\$ 8,967,300
Ceded premium earned	(2,722,200)	(2,555,900)
Net premium earned	<u>7,050,800</u>	<u>6,411,400</u>
Investment-related income	953,300	811,500
Fee-related income	94,100	85,900
Total revenue	<u>8,098,200</u>	<u>7,308,800</u>
Net losses and loss adjustment expenses	3,627,200	2,442,700
Insurance-related expenses	2,121,200	1,844,300
Investment-related expenses	360,100	362,200
Fee-related expenses	91,400	69,600
Total losses, loss adjustment and other expenses	<u>6,199,900</u>	<u>4,718,800</u>
Income from operations	1,898,300	2,590,000
Net realized investment gains	1,502,300	406,000
Net unrealized investment gains on equity securities	813,200	1,644,200
Income before income taxes	<u>4,213,800</u>	<u>4,640,200</u>
Income tax expense	823,200	891,700
Net income	<u>\$ 3,390,600</u>	<u>\$ 3,748,500</u>

See accompanying notes.

Consolidated statements of comprehensive income

(in thousands)

Year ended Dec. 31,	2024	2023
Net income	\$ 3,390,600	\$ 3,748,500
Other comprehensive income:		
Change in net unrealized appreciation on investments in debt securities (available for sale), net of income tax expense of \$4,400 in 2024 and \$51,600 in 2023	5,100	204,200
Change in benefit plan assets and liabilities, net of income tax expense of \$57,000 in 2024 and net of income tax benefit of \$14,800 in 2023	214,400	(62,500)
Foreign currency translation adjustment, net of income tax benefit of \$21,000 in 2024 and net of income tax expense of \$4,600 in 2023	(136,700)	110,400
Other comprehensive income	82,800	252,100
Comprehensive income	<u>\$ 3,473,400</u>	<u>\$ 4,000,600</u>

Consolidated statements of changes in policyholders' surplus

(in thousands)

Year ended Dec. 31,	2024	2023
Retained earnings at beginning of year	\$ 23,372,200	\$ 19,623,700
Net income	3,390,600	3,748,500
Retained earnings at end of year	<u>26,762,800</u>	<u>23,372,200</u>
Accumulated other comprehensive loss at beginning of year	(893,300)	(1,145,400)
Other comprehensive income	82,800	252,100
Accumulated other comprehensive loss at end of year	<u>(810,500)</u>	<u>(893,300)</u>
Policyholders' surplus at end of year	<u>\$ 25,952,300</u>	<u>\$ 22,478,900</u>

See accompanying notes.

Consolidated statements of cash flow

(in thousands)

Year ended Dec. 31,	2024	2023
Operating activities		
Net income	\$ 3,390,600	\$ 3,748,500
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	145,500	113,000
Decrease / (increase) in premium receivable	40,700	(302,100)
Increase / (decrease) in unpaid losses and loss adjustment expenses	857,400	(1,235,600)
(Decrease) / increase in reserve for unearned premium	(17,100)	747,600
(Increase) / decrease in recoverable from reinsurers	(21,100)	840,500
Increase in current and deferred income taxes	237,400	530,900
Net realized investment gains	(1,502,300)	(406,000)
Net unrealized investment gains on equity securities	(813,200)	(1,644,200)
Decrease / (increase) in prepaid reinsurance premium	21,100	(116,200)
Other	(83,100)	(110,900)
Net cash provided by operating activities	<u>2,255,900</u>	<u>2,165,500</u>
Investing activities		
Net sales / (purchases) of short-term investments	3,600	(35,200)
Purchases of debt, equity and other securities	(13,149,800)	(12,711,600)
Sales and maturities of debt, equity and other securities	11,376,100	10,423,300
Change in capital assets	(358,000)	7,700
Other	(165,200)	(202,400)
Net cash used by investing activities	<u>(2,293,300)</u>	<u>(2,518,200)</u>
Decrease in cash and cash equivalents	<u>(37,400)</u>	<u>(352,700)</u>
Cash and cash equivalents at beginning of year	1,779,300	2,132,000
Cash and cash equivalents at end of year	<u>\$ 1,741,900</u>	<u>\$ 1,779,300</u>

See accompanying notes.

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 1. Significant accounting policies

Basis of presentation

The consolidated financial statements are stated in U.S. dollars and have been prepared on the basis of U.S. generally accepted accounting principles, which differ in some respects from statutory accounting practices prescribed or permitted by the State of Rhode Island, Department of Business Regulation, Insurance Division. On the basis of statutory accounting practices, consolidated policyholders' surplus was \$24,418,600 and \$21,340,100 at December 31, 2024 and 2023, respectively; net income for the respective years then ended was \$1,980,700 and \$1,978,800.

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of management's estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The Company provides comprehensive lines of property coverage and supporting services for industrial and institutional properties throughout the world.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions were eliminated in consolidation.

Reclassification

Certain amounts reported in the 2023 consolidated financial statements have been reclassified to conform to the 2024 presentation.

Cash equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible into known amounts of cash and so near to maturity that they present an insignificant risk of changes in value due to changing interest rates. Cash equivalents include money market funds and debt securities purchased with maturities of three months or less at acquisition, and are carried at fair value.

Investments

Equity securities are carried at fair value, with the unrealized appreciation or depreciation reported on the Consolidated Statements of Income.

Debt securities are classified as available-for-sale and are stated at fair value, with the unrealized appreciation or depreciation, net of tax, reported directly in other comprehensive income. The cost of securities sold is based upon the specific identification method.

The amortized cost of debt securities is adjusted for amortization of premium and accretion of discounts to maturity, or in the case of mortgage and asset-backed securities, over the estimated life of the security adjusted for anticipated prepayments. This amortization and accretion is included in investment-related income. For mortgage and asset-backed debt securities, the Company recognizes income using a constant effective yield based on anticipated prepayments over the economic life of the security. The mortgage and asset-backed debt securities are accounted for under the retrospective method and prepayment assumptions are based on market expectations. When actual prepayments differ significantly from anticipated prepayments, the effective yield is recalculated to reflect actual payments to date and anticipated future payments, and any resulting adjustment is included in investment-related income.

Other securities consist of partnerships, hedge funds, equity funds and other alternative investments, which are accounted for under the equity method. As a result of the timing of the receipt of valuation data from the investment managers, these investments are generally reported on up to a three-month lag. Changes in the Company's equity in the net assets of these investments are included in income as net realized investment gains.

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 1. Significant accounting policies *(continued)*

Impairments in debt securities, that the Company does not intend to sell or is unlikely to be required to sell, are segregated into credit risk and non-credit risk impairments. Credit risk impairments are reported as a credit allowance on the Consolidated Balance Sheets and the credit impairment amounts are reported as a component of income before income taxes. Non-credit risk impairments are recognized in other comprehensive income. Securities are reviewed for both quantitative and qualitative considerations in the determination of impairments.

In the normal course of business, the Company has investments in variable interest entities (VIEs) primarily as a passive investor in residential mortgage-backed securities, commercial mortgage-backed securities, private equity limited partnerships, and other entities. The Company is not the primary beneficiary of these VIEs. The Company's maximum exposure to loss with respect to these investments is limited to the investment carrying values included on the Company's Consolidated Balance Sheets and the unfunded commitments related to partnerships and private equity investments. The Company has unfunded commitments of \$649,100 and \$756,900 as of December 31, 2024 and 2023, respectively.

Income taxes

The Company files consolidated U.S. and foreign income tax returns as required by law. The income tax expense is based on income before taxes reported on the consolidated financial statements. Deferred income taxes are provided, when appropriate, for the effects of temporary differences in reporting income and expenses for tax and financial reporting purposes. Deferred income taxes are also provided for unrealized appreciation or depreciation of investments, for pension and postretirement liabilities and for foreign currency translations.

The IRS has completed its review of the 2015-2018 tax years. There are currently no years under examination but the statute of limitations for examinations for years 2021-2023 is still open.

Deferred costs

Premium taxes and commissions, the principal business acquisition costs, are deferred to the extent recoverable and are amortized over the period during which the related premium is earned. Deferred costs are included in other assets on the Consolidated Balance Sheets.

Certain pre-rental and other expenses incurred by the Company's real estate limited liability corporation subsidiaries are deferred and amortized over the lives of the various tenant leases.

Real estate and premises and equipment

Premises and equipment are stated at net book value, and depreciation is recorded on a straight-line basis over the estimated useful lives of the respective assets. Upon retirement or sale, the cost of the asset disposed of and its related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in net realized investment gains. The net book value of the Company's investments in land and buildings is included in real estate, whereas the net book value of the Company's owned and occupied land and buildings, furniture, fixtures and equipment are included in premises and equipment.

Unpaid losses and loss adjustment expenses

Liabilities for unpaid losses and loss adjustment expenses are based on case estimates or reports from ceding companies. Estimates of incurred-but-not-reported (IBNR) reserves are based on historical experience and management analysis.

Although the above-described amounts are based on estimates, management believes the recorded liabilities for unpaid losses and loss adjustment expenses are reasonable to cover the ultimate settlement cost of losses incurred. These estimates are continually reviewed and adjustments to such estimates are reflected in current operations.

Premium

The Company issues term premium policies. The term premium is earned on a daily pro-rata basis over the life of the policy, which is typically one year. Unearned premium is the amount of unexpired written premium related to policies in-force.

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 1. Significant accounting policies (continued)

Translation of foreign currency

The Company translates the financial statements of its foreign operations into U.S. dollars from the functional currency applicable for each foreign unit, which is the currency of the country representing the primary economic environment in which each operation conducts business. Foreign currency balances are re-measured to the respective functional currencies, and the resulting foreign exchange gains or losses are reflected in earnings. Functional currency assets and liabilities are then translated into U.S. dollars at the exchange rates in effect at the end of the period, while income and expenses are translated at average rates. Foreign currency translation adjustments are recorded as a separate component of the Consolidated Statements of Comprehensive Income, net of income taxes.

Reinsurance

In the normal course of business, the Company seeks to reduce losses that may arise from catastrophes or other events by reinsuring certain levels of risk with other insurance enterprises. Reinsurance premium, losses, and loss adjustment expenses ceded under these arrangements are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts.

Retirement income plans and postretirement benefit plans other than pensions

Noncontributory retirement income plans cover the vast majority of employees. The Company's funding policy is generally to contribute the net periodic pension cost each year, as determined pursuant to the guidance in *Compensation – Employee Benefits (ASC 715)*. However, the contribution for any year will not be less than the minimum required contribution, nor greater than the maximum tax-deductible contribution allowed in each country with plans in place.

The Company provides certain healthcare and life insurance benefits for retired employees and their dependents. The plans are contributory, with retiree contributions adjusted annually, and contain other cost-sharing features, such as deductibles and coinsurance. Current service and interest costs of postretirement healthcare and life insurance benefits are expensed on an accrual basis.

Investment-related and fee-related income

Investment-related income primarily consists of interest and dividends from the Company's investment portfolio and income from leased office space, which is earned as services are provided or over the term of applicable leases. Fee-related income primarily consists of fees for ancillary services, which is earned as the Company completes performance obligations.

Derivatives

The Company uses derivatives with the intent to manage certain economic risks inherent to the investment portfolios. These risks include market risk, foreign exchange risk and interest rate risk. The Company has not designated any derivative contracts as accounting hedges under *Derivatives and Hedging (ASC 815)*, but instead the derivatives are classified as economic hedges. The positions are marked to fair value at the end of each reporting period and the related gain or loss is included in net realized investment gains on the Consolidated Statements of Income. The fair value of derivative assets and derivative liabilities are reported as other assets or other liabilities on the Consolidated Balance Sheets.

Leases

Under *Leases (ASC 842)*, the Company determines if an arrangement is or contains a lease at inception. For variable payment leases or leases with a term of 12 months or less, the Company does not recognize a right-of-use asset or lease liability. The Company's operating and finance leases are recognized on the Consolidated Balance Sheets as premises and equipment, and other liabilities.

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 1. Significant accounting policies *(continued)*

Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating and finance lease right-of-use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Many of the Company's lease agreements contain renewal options; however, the Company does not recognize right-of-use assets or lease liabilities for renewal periods unless it is determined that the Company is reasonably certain of renewing the lease at inception or when a triggering event occurs. Certain lease agreements contain rent escalation clauses, abatements, capital improvement funding or other lease concessions.

In determining its right-of-use assets and lease liabilities, the Company applies a discount rate to the minimum lease payments within each lease agreement. ASC 842 allows the Company to utilize a discount rate framework based on the risk-free rate. The risk-free rate is the respective sovereign/treasury rate for the specified maturity term of the lease. The Company uses the retrospective government bond rates as the risk-free rate for the specified maturity term of the lease and adds a corporate credit spread to arrive at the discount rate. The corporate credit spread is determined by taking into consideration the comparable credit spread, the maturity term of the lease and the risk factors inherent to the specific geographic location. For the measurement and classification of its lease agreements, the Company groups lease and non-lease components into a single lease component for all underlying asset classes. Variable lease payments include payments for non-lease components of maintenance costs.

Recent accounting pronouncements adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 amends the guidance on the impairment of financial instruments. The updated guidance amends the current other-than-temporary impairment model for available-for-sale debt securities by requiring the recognition of impairments relating to credit losses through an allowance account and limits the amount of credit loss to the difference between a security's amortized cost basis and its fair value. This guidance also applies a new current expected credit loss model for determining credit-related impairments for financial instruments measured at amortized cost, such as reinsurance recoverable and premium receivable. The Company adopted this standard as of January 1, 2023. The adoption did not have a material impact on the Company's consolidated financial statements.

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 2. Investments

Debt and equity securities

The following is a summary of securities at December 31, 2024:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities:				
U.S. treasury securities and obligations of U.S. government agencies	\$ 1,565,300	\$ 9,700	\$ (83,500)	\$ 1,491,500
Obligations of states and political subdivisions	1,354,900	6,900	(30,000)	1,331,800
Mortgage and asset-backed securities:				
Agency	1,716,600	14,400	(136,300)	1,594,700
Commercial	253,900	1,200	(9,400)	245,700
Residential	6,500	500	–	7,000
Other mortgage and asset-backed securities	482,000	4,400	(3,600)	482,800
U.S. corporate securities	2,606,200	36,200	(63,700)	2,578,700
Foreign government securities	1,304,800	12,100	(13,000)	1,303,900
Bond funds	1,134,800	500	(111,000)	1,024,300
Other debt securities	505,800	6,400	(4,400)	507,800
Total debt securities	<u>10,930,800</u>	<u>92,300</u>	<u>(454,900)</u>	<u>10,568,200</u>
Equity securities:				
Communication services	299,800	542,100	(12,500)	829,400
Consumer discretionary	327,900	519,200	(10,300)	836,800
Consumer staples	196,700	276,200	(5,600)	467,300
Energy	135,700	103,600	(9,400)	229,900
Financials	535,000	562,300	(6,100)	1,091,200
Healthcare	623,900	296,500	(58,700)	861,700
Industrials	436,500	252,900	(17,600)	671,800
Information technology	771,100	1,618,200	(18,300)	2,371,000
Mutual funds (international and emerging markets)	6,138,100	650,400	(171,300)	6,617,200
Foreign	812,000	122,900	(35,100)	899,800
All other sectors	941,600	253,300	(8,200)	1,186,700
Total equity securities	<u>11,218,300</u>	<u>5,197,600</u>	<u>(353,100)</u>	<u>16,062,800</u>
Total debt and equity securities	<u>\$ 22,149,100</u>	<u>\$ 5,289,900</u>	<u>\$ (808,000)</u>	<u>\$ 26,631,000</u>

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 2. Investments (continued)

The following is a summary of securities at December 31, 2023:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities:				
U.S. treasury securities and obligations of U.S. government agencies	\$ 1,267,000	\$ 14,500	\$ (83,700)	\$ 1,197,800
Obligations of states and political subdivisions	1,474,500	22,200	(30,300)	1,466,400
Mortgage and asset-backed securities:				
Agency	1,609,000	18,500	(124,800)	1,502,700
Commercial	257,200	800	(14,300)	243,700
Other mortgage and asset-backed securities	425,300	3,300	(9,700)	418,900
U.S. corporate securities	2,423,600	38,500	(86,000)	2,376,100
Foreign government securities	974,900	10,300	(20,900)	964,300
Bond funds	842,100	–	(99,900)	742,200
Other debt securities	343,100	1,900	(12,500)	332,500
Total debt securities	9,616,700	110,000	(482,100)	9,244,600
Equity securities:				
Communication services	303,000	446,900	(25,900)	724,000
Consumer discretionary	378,200	462,000	(52,000)	788,200
Consumer staples	247,200	232,500	(4,500)	475,200
Energy	125,800	150,500	(5,600)	270,700
Financials	556,800	295,900	(5,800)	846,900
Healthcare	607,500	370,700	(45,700)	932,500
Industrials	321,000	307,200	(8,500)	619,700
Information technology	580,900	1,369,400	(19,600)	1,930,700
Mutual funds (international and emerging markets)	5,423,900	781,400	(339,800)	5,865,500
Foreign	194,000	27,600	(22,800)	198,800
All other sectors	651,400	125,800	(8,400)	768,800
Total equity securities	9,389,700	4,569,900	(538,600)	13,421,000
Total debt and equity securities	\$ 19,006,400	\$ 4,679,900	\$ (1,020,700)	\$ 22,665,600

During the years ended December 31, 2024 and 2023, purchases of debt securities were \$5,187,000 and \$5,958,100, respectively; purchases of equity securities were \$7,784,400 and \$6,465,700, respectively; proceeds from the sale of debt securities were \$3,549,600 and \$5,049,700, respectively; and proceeds from the sale of equity securities were \$7,325,700 and \$4,963,800, respectively.

The gross realized gains and (losses) on sales of debt and equity securities totaled \$1,688,900 and (\$369,600) in 2024, and \$708,800 and (\$331,400) in 2023.

The net gains and (losses) recognized on equity securities during the years ended December 31, 2024 and 2023, totaled \$2,198,500 and \$2,111,700, respectively. At December 31, 2024, \$1,385,300 is related to securities sold during the period and \$813,200 is related to unrealized gains and losses on equity securities still held. At December 31, 2023, \$467,400 is related to securities sold during the period and \$1,644,300 is related to unrealized gains and losses on equity securities still held.

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 2. Investments (continued)

The amortized cost and fair value of debt securities at December 31, 2024, by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in one year or less	\$ 428,800	\$ 427,700
Due after one year through five years	3,147,000	3,111,100
Due after five years through ten years	3,027,100	2,951,000
Due after ten years	1,868,900	1,748,200
Subtotal	<u>8,471,800</u>	<u>8,238,000</u>
Mortgage and asset-backed securities	2,459,000	2,330,200
Total debt securities	<u>\$ 10,930,800</u>	<u>\$ 10,568,200</u>

The fair value and gross unrealized losses of available for sale (AFS) debt securities for which an allowance for credit losses has not been recorded, aggregated by investment category, length of time that individual securities have been in a continuous unrealized loss position and number of securities in an unrealized loss position, were as follows as of December 31, 2024:

	Less Than or Equal to Twelve Months		Greater Than Twelve Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Debt securities:						
U.S. treasury securities and obligations of U.S. government agencies	\$ 615,700	\$ (14,400)	\$ 745,000	\$ (69,100)	\$1,360,700	\$ (83,500)
Obligations of states and political subdivisions	464,300	(6,000)	495,700	(24,000)	960,000	(30,000)
Mortgage and asset-backed securities:						
Agency	485,300	(8,400)	853,600	(127,900)	1,338,900	(136,300)
Commercial	13,600	(100)	155,500	(9,300)	169,100	(9,400)
Other mortgage and asset-backed securities	39,800	(300)	168,000	(3,300)	207,800	(3,600)
U.S. corporate securities	526,300	(10,400)	887,000	(53,300)	1,413,300	(63,700)
Foreign government securities	158,100	(1,000)	379,900	(12,000)	538,000	(13,000)
Bond funds	-	-	875,400	(111,000)	875,400	(111,000)
Other debt securities	95,400	(300)	170,900	(4,100)	266,300	(4,400)
Total debt securities	<u>\$ 2,398,500</u>	<u>\$ (40,900)</u>	<u>\$ 4,731,000</u>	<u>\$ (414,000)</u>	<u>\$ 7,129,500</u>	<u>\$ (454,900)</u>
Number of positions in an unrealized loss position		<u>1,194</u>		<u>2,092</u>		<u>3,286</u>

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 2. Investments (continued)

The fair value and gross unrealized losses of AFS debt securities for which an allowance for credit losses has not been recorded, aggregated by investment category, length of time that individual securities have been in a continuous unrealized loss position and number of securities in an unrealized loss position, were as follows as of December 31, 2023:

	Less Than or Equal to Twelve Months		Greater Than Twelve Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Debt securities:						
U.S. treasury securities and obligations of U.S. government agencies	\$ 91,600	\$ (800)	\$ 738,200	\$ (82,900)	\$ 829,800	\$ (83,700)
Obligations of states and political subdivisions	55,800	(1,100)	742,200	(29,200)	798,000	(30,300)
Mortgage and asset-backed securities:						
Agency	61,300	(600)	971,100	(124,200)	1,032,400	(124,800)
Commercial	4,800	–	193,400	(14,300)	198,200	(14,300)
Other mortgage and asset-backed securities	46,000	(500)	194,000	(9,200)	240,000	(9,700)
U.S. corporate securities	58,300	(800)	1,141,800	(85,200)	1,200,100	(86,000)
Foreign government securities	52,800	(800)	508,500	(20,100)	561,300	(20,900)
Bond funds	–	–	741,200	(99,900)	741,200	(99,900)
Other debt securities	6,600	(200)	252,500	(12,300)	259,100	(12,500)
Total debt securities	<u>\$ 377,200</u>	<u>\$ (4,800)</u>	<u>\$ 5,482,900</u>	<u>\$ (477,300)</u>	<u>\$ 5,860,100</u>	<u>\$ (482,100)</u>
Number of positions in an unrealized loss position		<u>235</u>		<u>2,634</u>		<u>2,869</u>

The Company reviews the AFS debt securities for declines in fair value, including those attributable to credit risk factors that may require an allowance for credit losses. As discussed further, the Company believes the unrealized loss position as of December 31, 2024, did not require a credit impairment to be recognized in earnings as the Company did not intend to sell these AFS debt securities; it is not more likely than not that the Company will be required to sell AFS debt securities before recovery of their amortized cost basis; and the difference in the fair value compared to the amortized cost was due to factors other than credit.

As of December 31, 2024, the unrealized losses associated with the AFS debt securities were attributable primarily to rising interest rates and widening credit spreads and did not reflect a deterioration in the credit quality of the issuers. The Company performed a detailed analysis of the impaired investments and determined qualitatively and quantitatively any credit loss impairments and allowance for credit losses to be immaterial. The Company reviewed the credit ratings, which express opinions about the credit quality of a security, for credit rating downgrades of AFS securities below investment grade and determined booking an allowance for credit losses on the investments meeting these criteria would be immaterial.

During the years ended December 31, 2024 and 2023, net realized investment gains on other securities were \$207,600 and \$129,600, respectively.

Credit risk

All debt security investments have credit exposure to the extent that a counterparty may default on an obligation to the Company. To manage credit risk, the Company focuses on high-quality debt securities, reviews the credit strength of all companies in which it invests, limits its exposure in any one investment and monitors the portfolio quality.

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 3. Fair value

The valuation techniques required by the *Fair Value Measurements (ASC 820)* guidance are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions determined by the Company.

These two types of inputs create the following fair value hierarchy:

- Level 1 Quoted prices for identical instruments in active markets.
- Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3 Significant inputs to the valuation model are unobservable and utilize assumptions or judgement.

The Company retains independent pricing vendors to assist in valuing invested assets. In compliance with the *ASC 820* guidance, the Company conducted a review of the primary pricing vendor, validating that the inputs used in the vendor's pricing process are deemed to be market-observable as defined in the standard.

When available, the Company uses quoted market prices to determine the fair value of investment securities, and they are included in Level 1.

When quoted market prices are unavailable, the Company uses quotes from independent pricing vendors based on recent trading activity and other relevant information. Debt securities are priced by an independent vendor using evaluated market pricing models that vary by asset class. These models incorporate available trade, bid and other market information, and for structured securities, also incorporate cash flow and, when available, loan performance data. The pricing models apply available market information through processes such as benchmark curves, benchmarking of similar securities and sector groupings. The vendors also integrate observed market movements, sector news and relevant credit information into the evaluated pricing applications and models. These investments are included in Level 2.

For certain Level 3 securities, valuations are developed using discounted cash flow models that require the use of unobservable inputs, where the significant unobservable input is the discount rate. These valuations are determined by independent third-party valuation vendors and are reviewed to ensure reasonableness. In the event independent third-party valuation is not available, values are derived using internal management estimates.

The following table presents the Company's invested assets measured at fair value as of December 31, 2024:

Invested Assets, at Fair Value	Total	Level 1	Level 2	Level 3
Debt securities	\$ 10,568,200	\$ –	\$ 10,307,100	\$ 261,100
Equity securities	16,062,800	15,235,700	–	827,100
Total Invested Assets	<u>\$ 26,631,000</u>	<u>\$ 15,235,700</u>	<u>\$ 10,307,100</u>	<u>\$ 1,088,200</u>
Other Items Measured at Fair Value				
Cash equivalents	\$ 539,700	\$ 539,700	\$ –	\$ –
Other assets (1)	13,100	11,500	1,600	–
Other liabilities (1)	6,000	6,000	–	–

(1) Other assets and other liabilities at fair value represent variation margin receivable or payable for exchange traded futures, FX forward contracts and exchange traded options at fair value. The exchange traded derivatives are classified as Level 1. The OTC forward contracts are classified as Level 2.

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 3. Fair value *(continued)*

The following table presents the Company's invested assets measured at fair value as of December 31, 2023:

Invested Assets, at Fair Value	Total	Level 1	Level 2	Level 3
Debt securities	\$ 9,244,600	\$ –	\$ 9,045,800	\$ 198,800
Equity securities	13,421,000	13,021,000	–	400,000
Total Invested Assets	<u>\$ 22,665,600</u>	<u>\$ 13,021,000</u>	<u>\$ 9,045,800</u>	<u>\$ 598,800</u>

Other Items Measured at Fair Value

Cash equivalents	\$ 366,300	\$ 366,300	\$ –	\$ –
Other assets (1)	3,400	3,400	–	–
Other liabilities (1)	2,700	2,700	–	–

(1) Other assets and other liabilities at fair value represent variation margin receivable or payable for exchange traded futures, FX forward contracts and exchange traded options at fair value. The exchange traded derivatives are classified as Level 1.

In 2024, the Company's Level 3 investment activity included the following: purchases of \$423,000, sales of (\$82,400), paydowns of (\$1,500) and net gains and losses of \$150,300. There were no transfers in or out of Level 3 during the period.

In 2023, the Company's Level 3 investment activity included the following: purchases of \$434,900, sales of (\$19,900), paydowns of (\$2,000) and net gains and losses of (\$400). There were no transfers in or out of Level 3 during the period.

All equity securities, excluding select Level 3 investments, are measured at fair value using quoted market prices and are classified as Level 1. See Note 2 for a breakout of equity securities by category.

All debt securities, excluding select Level 3 investments, are measured at fair value and are classified as Level 2. Cash equivalent positions in debt securities that are purchased with maturities of three months or less at acquisition are also classified as Level 2. See Note 2 for a breakout of debt securities by category.

Note 4. Policyholders' credits

The Company's Board of Directors approved a membership credit to eligible policyholders that renewed their policies during the membership credit periods of June 30, 2023 through June 29, 2024 and June 30, 2024 through June 29, 2025, in the form of a premium offset at the time of policy renewal. The impact of the membership credits for the years ended 2024 and 2023 was a reduction to earned premium of \$807,000 and \$433,000, respectively.

The Company's Board of Directors approved a resilience credit to provide eligible policyholders with additional financial means to invest in climate resilience. The resilience credit will be applied as a premium offset against policies with renewals or anniversaries during the resilience credit periods of October 1, 2022 through September 30, 2023 and October 1, 2023 through September 30, 2024. The impact of the resilience credit for the years ended 2024 and 2023 was a reduction to earned premium of \$271,000 and \$308,300, respectively.

In 2024, the Company's Board of Directors approved a resilience credit that will be distributed during the resilience credit period of January 1, 2025 through December 31, 2025.

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 5. Reinsurance

The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk to minimize its exposure to significant losses from potential reinsurer insolvencies. While such evaluations are intended to minimize the Company's exposure, the ultimate collection of reinsurance recoverable depends on the financial soundness of the individual reinsurers. The reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible.

The effect of reinsurance on written premium is as follows:

	Year ended Dec. 31,	
	2024	2023
Gross written premium	\$ 11,174,100	\$ 10,418,000
Ceded written premium	(2,743,800)	(2,648,300)
Net written premium	<u>\$ 8,430,300</u>	<u>\$ 7,769,700</u>

Ceded losses and loss adjustment expenses incurred for the years ended December 31, 2024 and 2023, were \$1,051,900 and \$749,200, respectively.

Note 6. Unpaid losses and loss adjustment expenses

Activity in the net liability for unpaid losses and loss adjustment expenses (LAE) is summarized as follows:

	Year ended Dec. 31,	
	2024	2023
Gross unpaid as of January 1	\$ 5,265,200	\$ 6,500,800
Less: unpaid reinsurance recoverable	1,675,700	2,635,000
Net unpaid as of January 1	<u>3,589,500</u>	<u>3,865,800</u>
Net incurred related to:		
Current year	3,748,400	2,580,600
Prior years	(121,200)	(137,900)
Total net incurred	<u>3,627,200</u>	<u>2,442,700</u>
Net paid related to:		
Current year	1,070,600	687,800
Prior years	1,680,300	2,031,200
Total net paid	<u>2,750,900</u>	<u>2,719,000</u>
Gross unpaid as of December 31	6,122,600	5,265,200
Less: unpaid reinsurance recoverable	1,656,800	1,675,700
Net unpaid as of December 31	<u>\$ 4,465,800</u>	<u>\$ 3,589,500</u>

Notes to consolidated financial statements December 31, 2024 and 2023 (in thousands)

Note 6. Unpaid losses and loss adjustment expenses (*continued*)

The 2024 and 2023 decreases in net incurred on insured events for prior years was due to the reduction of incurred-but-not-reported (IBNR) reserves based on actual experience and favorable development on a small number of individual losses.

The Company's liability is categorized as either continuing (commercial property) or discontinued lines of business (asbestos, environmental and other mass tort-related claims, which applies to business that is in runoff).

In establishing the liability for continuing losses and LAE, there is uncertainty in management's estimates that may cause these estimates to differ from ultimate payments. In establishing the liability for unpaid losses and LAE related to discontinued lines of business, management considers facts currently known and the current state of the law and coverage litigation. Liabilities are recognized for known claims (including the cost of related litigation) when sufficient information has been developed to indicate the involvement of a specific insurance policy and management can reasonably estimate the Company's liability. Liabilities have also been established to cover additional exposures on reported and IBNR claims. Developed case law and adequate claims history typically does not exist for the discontinued lines of business, primarily because significant uncertainty exists about the outcomes of coverage litigation and whether past claims experience will be representative of future claims experience.

The Company is the subject of various asserted and unasserted claims and lawsuits covering a wide variety of claims-related issues that arise out of the normal course of its business activities. Contingent liabilities arising from litigation and other matters are not considered material in relation to the consolidated financial position or operations of the Company.

The following disclosures reflect only commercial property insurance from the Company's continuing book of business and excludes other short-duration lines of business that are considered immaterial and discontinued lines of business.

The Company's liability is segmented into three major categories: reserves for reported claims (estimates made by claims adjusters), IBNR representing reserves for unreported claims, and supplemental reserves for reported claims, including LAE.

In addition to discussions with claims representatives, the Company generally uses the cumulative incurred development method to establish IBNR loss reserves. This method assumes that the future change (adverse or redundant) in cumulative incurred losses will be consistent with historical patterns.

LAE reserves represent management's estimate of future expenses for investigating and settling claims. The LAE reserve is based on a historical ratio of actual loss adjustment expenses paid in comparison to the actual loss payments.

There have been no significant changes to the methodology used to establish IBNR during 2024 or 2023.

Due to the short-tail nature of commercial property insurance, the disclosures below reflect the undiscounted information as of December 31, 2024, and for each of the four previous accident years.

All amounts have been translated from the local currency to U.S. dollars using the December 31, 2024 foreign exchange rates for all years presented to isolate changes in foreign exchange from loss development.

The Company compiles and aggregates its claims data by grouping claims according to the year in which the claim occurred (accident year). With respect to the cumulative number of reported claims, the amount represents the accumulation of individual claims, which is measured by individual claimant. Individual claims that do not result in a liability are excluded from the calculation of the cumulative claim frequency.

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 6. Unpaid losses and loss adjustment expenses (continued)

Accident Year	Incurred Losses and LAE, Net of Reinsurance, as of Dec. 31,					As of Dec. 31, 2024	
	2020	2021	2022	2023	2024	IBNR	Cumulative Reported Claims
	Supplemental and Unaudited						
2020	\$3,162,200	\$2,978,200	\$3,039,000	\$3,035,000	\$ 3,027,000	\$ 2,500	8,303
2021		3,133,400	2,888,600	2,891,100	2,863,100	(7,200)	6,684
2022			2,507,400	2,379,200	2,319,100	3,200	6,324
2023				2,371,200	2,253,500	24,300	5,244
2024					3,510,400	321,900	4,469
Total					<u>\$ 13,973,100</u>		

Accident Year	Cumulative Paid Losses and LAE, Net of Reinsurance, as of Dec. 31,				
	2020	2021	2022	2023	2024
	Supplemental and Unaudited				
2020	\$ 1,145,700	\$ 2,382,700	\$ 3,088,600	\$ 3,100,900	\$ 3,012,200
2021		601,500	2,126,800	2,583,400	2,792,600
2022			388,500	1,656,600	2,138,200
2023				516,500	1,530,000
2024					876,800
Total					<u>\$10,349,800</u>
Unpaid losses and LAE prior to 2020, net of reinsurance					<u>\$ 37,800</u>
Total unpaid losses and LAE, net of reinsurance					<u>\$ 3,661,100</u>

The following disclosure presents the average annual payout of incurred claims by age, net of reinsurance, as of December 31, 2024:

Years	Average Annual Percentage of Payments on Incurred Claims by Age, Net of Reinsurance				
	1	2	3	4	5
	Supplemental and Unaudited				
	24.7%	48.4%	20.0%	3.9%	-2.9%

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 6. Unpaid losses and loss adjustment expenses *(continued)*

The following is a reconciliation of the information in this disclosure to the consolidated gross liability for unpaid losses and LAE reported in the consolidated financial statements:

	As of Dec. 31, 2024
Commercial property	\$ 3,661,100
Other short-duration insurance lines of business	82,500
Foreign exchange	(28,100)
Unpaid losses and LAE, net of reinsurance	<u>\$ 3,715,500</u>
Commercial property	\$ 1,074,800
Reinsurance recoverable on unpaid losses and LAE	<u>\$ 1,074,800</u>
Discontinued lines of business	\$ 1,332,300
Other gross unpaid losses and LAE	<u>\$ 1,332,300</u>
Total gross unpaid losses and LAE	<u>\$ 6,122,600</u>

Note 7. Real estate and premises and equipment

Real estate and premises and equipment at December 31, 2024 and 2023, are summarized as follows:

	2024	2023
Land and buildings	\$ 2,330,100	\$ 2,113,300
Furniture, fixtures and equipment	858,400	801,400
Accumulated depreciation	(1,448,400)	(1,293,200)
Total	<u>\$ 1,740,100</u>	<u>\$ 1,621,500</u>

During 2024 and 2023, depreciation expense for real estate and premises and equipment was \$145,500 and \$113,000, respectively.

Note 8. Leases

In connection with its various operating offices located throughout the world, the Company leases office space, automobiles, and equipment. These leases provide the right to use the underlying asset and require lease payments for the lease term, however, the Company has elected to only recognize a right-of-use (ROU) asset and corresponding lease liability for office space in accordance with ASC 842. The Company's office lease portfolio consists of multiple operating leases and a single finance lease which expire at various dates through 2048.

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 8. Leases (continued)

The components of lease expense, which are primarily included in insurance-related expenses, were as follows for the years ended December 31, 2024 and December 31, 2023, respectively:

	2024	2023
Operating lease cost:		
Fixed rent expenses	\$ 52,900	\$ 49,600
Finance lease cost:		
Amortization of ROU asset	3,700	3,700
Interest expense	3,200	3,300
Short-term lease cost	21,200	15,100
Total net lease cost	<u>\$ 81,000</u>	<u>\$ 71,700</u>

Supplemental cash flow information related to the Company's leases was as follows for the years ended December 31, 2024 and December 31, 2023, respectively:

	2024	2023
Operating cash flow from operating leases	\$ 61,700	\$ 52,700
Operating cash flow from finance lease	4,400	4,300
ROU assets obtained in exchange for operating lease liabilities	28,100	14,200
ROU assets obtained in exchange for finance lease liability	(1,000)	3,100

The following table presents the lease balances on the Company's Consolidated Balance Sheets, weighted average remaining lease term, and weighted average discount rates related to the Company's leases as of December 31, 2024 and December 31, 2023, respectively:

Operating leases:	2024	2023
Assets:		
ROU assets from operating leases	\$ 149,200	\$ 149,900
Liabilities:		
Operating lease liabilities – current	39,700	41,900
Operating lease liabilities – non-current	123,000	122,700
Total operating lease liabilities	<u>\$ 162,700</u>	<u>\$ 164,600</u>
Weighted average remaining lease term	5.90	5.85
Weighted average discount rate	3.21%	2.59%
Finance lease:	2024	2023
Asset:		
ROU asset from finance lease	\$ 88,400	\$ 93,000
Liability:		
Finance lease liability – current	4,600	4,600
Finance lease liability – non-current	91,500	93,600
Total finance lease liability	<u>\$ 96,100</u>	<u>\$ 98,200</u>
Weighted average remaining lease term	23.87	24.87
Weighted average discount rate	3.33%	3.33%

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 8. Leases *(continued)*

As of December 31, 2024, the future minimum lease payments for the Company's lease liabilities for each of the years ending December 31, were as follows:

	Operating Leases	Finance Lease
2025	\$ 58,700	\$ 4,600
2026	50,500	4,800
2027	42,200	4,900
2028	25,900	5,000
2029	18,700	5,100
Thereafter	56,100	124,400
Total lease payments	<u>252,100</u>	<u>148,800</u>
Less: future interest expense	89,400	52,700
Total lease liabilities	<u>\$ 162,700</u>	<u>\$ 96,100</u>

Note 9. Income taxes

The Inflation Reduction Act (IRA) was enacted on August 16, 2022, and includes a corporate alternative minimum tax (CAMT). The IRA and the CAMT is effective for tax years beginning after 2022. The Company will recognize the effect of the CAMT as appropriate. For the tax years ending December 31, 2024 and 2023, the Company did not recognize a CAMT liability.

The following is the current and deferred income tax expense for the years ended December 31, 2024 and 2023:

	2024	2023
Current income tax expense	\$ 588,400	\$ 598,100
Deferred income tax expense	234,800	293,600
Total income tax expense	<u>\$ 823,200</u>	<u>\$ 891,700</u>

A reconciliation of income tax expense computed at U.S. Federal statutory tax rates to the income tax expense as included on the Consolidated Statements of Income follows for the years ended December 31, 2024 and 2023:

	2024	2023
Income tax expense at U.S. Federal statutory tax rate	\$ 884,900	\$ 974,500
Tax effect of:		
Nontaxable investment income	(26,300)	(18,700)
Effect of foreign operations	32,500	600
Tax credits	(72,100)	(72,800)
Other	4,200	8,100
Actual income tax expense	<u>\$ 823,200</u>	<u>\$ 891,700</u>

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 9. Income taxes (continued)

The significant components of the net deferred tax liability at December 31, 2024 and 2023, are as follows:

	2024	2023
Deferred tax liabilities:		
Deferred acquisition costs	\$ (24,300)	\$ (22,200)
Unrealized appreciation	(919,900)	(725,500)
Deferred foreign income	(74,600)	(60,400)
Operating lease ROU asset	(20,400)	(51,100)
Benefit plan expenses	(131,800)	(62,800)
Other securities	(120,200)	(66,200)
Other	(7,900)	(12,600)
Total deferred tax liabilities	<u>\$ (1,299,100)</u>	<u>\$ (1,000,800)</u>
Deferred tax assets:		
Unpaid claims discounting	24,100	19,000
Unearned premium reserve	146,000	146,700
Compensation accruals	118,300	103,100
Operating lease liability	20,400	53,900
Research & experimental expenditures	28,900	23,900
Unrealized investment losses	32,300	41,600
Tax credits	51,400	49,700
Unrelieved foreign tax	22,200	22,200
Deferred foreign losses	16,900	2,200
Unrealized foreign exchange	28,000	15,000
Fixed assets	61,600	53,000
Other	20,200	7,400
Total deferred tax assets	570,300	537,700
Valuation allowance	(35,900)	(27,100)
Net deferred tax assets	534,400	510,600
Net deferred tax liability	<u>\$ (764,700)</u>	<u>\$ (490,200)</u>

At December 31, 2024 and 2023, the Company established a valuation allowance for its foreign subsidiary's unrelieved foreign tax and foreign net operating losses in jurisdictions with insufficient evidence of future income.

Income tax paid during 2024 and 2023 was \$546,000 and \$335,400, respectively. In addition, the Company received income tax refunds of \$93,000 during 2024 and \$22,800 during 2023.

The Company invests in partnerships which make equity investments in projects eligible to receive historic, energy, low-income housing and new market tax credits, collectively referred to as investment tax credits. The investments are accounted for under the equity method and reported within other assets on the Consolidated Balance Sheets. The tax credits, when realized, are recognized as a reduction of tax expense under the flow-through method, at which time the corresponding equity investment is written-down to reflect the remaining value of the future benefits to be realized.

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 9. Income taxes *(continued)*

For the years ended December 31, 2024 and 2023, the Company recognized investment tax credits of \$135,800 and \$114,100, respectively. The equity investment write-down is reflected within net realized investment gains on the Consolidated Statements of Income. There are no investment tax credit carry forwards at December 31, 2024 or 2023.

The calculation of the Company's tax liability involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across its global operations. A tax benefit is recognized when it is more likely than not that the position will be sustained on examination, on the basis of technical merits. The Company records unrecognized tax benefits as liabilities in accordance with ASC 740 and adjusts these liabilities when its judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the Company's current estimate of the unrecognized tax benefit. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is available.

The Company's unrecognized tax benefits are not material and it does not expect any material changes within 12 months of the reporting date.

Included in other assets on the Consolidated Balance Sheets are current income taxes recoverable of \$63,000 and \$94,100 at December 31, 2024 and 2023, respectively.

Note 10. Retirement income plans and postretirement benefit plans other than pensions

The Company sponsors certain noncontributory retirement income plans. For the vast majority of employees, the benefits are generally based on years of service and the average of the highest consecutive 60 months of the employee's compensation within the 120 months prior to retirement. The Company's funding policy is to maintain a sufficiently funded level to ensure benefit security and to vary contribution levels as appropriate to business conditions. The Company also has supplemental retirement plans that are noncontributory defined benefit plans covering certain employees.

The Company provides healthcare and life insurance benefits for certain retired employees and their dependents. Employees hired on or after January 1, 2000, and employees that were active employees on January 1, 2000, and had not reached the age of 30 as of January 1, 2000, are not eligible for retiree medical benefits. Eligibility of other employees hired prior to January 1, 2000, and retiring subsequent to that date depends on whether they meet certain age and service requirements at retirement. The plan is generally contributory, with retiree contributions adjusted annually. Certain retirees transitioned to the individual Medicare market effective January 1, 2014, and January 1, 2019. Certain other retirees transitioned on January 1, 2020. Retirees and dependents enrolled in the individual Medicare market participate in a Retiree Health Reimbursement Account.

Obligations and funded status are as follows:

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
Benefit obligations	\$ 2,908,100	\$ 2,981,800	\$ 134,800	\$ 142,200
Fair value of plan assets	3,424,700	3,195,100	193,200	171,400
Funded status, end of year	<u>\$ 516,600</u>	<u>\$ 213,300</u>	<u>\$ 58,400</u>	<u>\$ 29,200</u>

During 2024, the overall decrease in the Company's global pension and other postretirement benefit plan obligations were primarily due to increases in discount rates.

During 2023, the overall increase in the Company's global pension and other postretirement benefit plan obligations were primarily due to decreases in discount rates.

The accumulated benefit obligations for the pension and supplemental benefit plans were \$2,601,300 and \$2,624,400 at December 31, 2024 and 2023, respectively.

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 10. Retirement income plans and postretirement benefit plans other than pensions (continued)

The net amounts recognized in other assets and other liabilities are as follows:

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
Asset	\$ 895,300	\$ 579,900	\$ 100,300	\$ 69,500
Liability	(378,700)	(366,600)	(41,900)	(40,300)
Total	<u>\$ 516,600</u>	<u>\$ 213,300</u>	<u>\$ 58,400</u>	<u>\$ 29,200</u>

Pretax amounts included in accumulated other comprehensive loss are as follows:

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
Net actuarial loss / (gain)	\$ 80,900	\$ 334,900	\$ (36,500)	\$ (19,400)
Prior service cost / (credit)	4,000	4,400	–	(300)
Total	<u>\$ 84,900</u>	<u>\$ 339,300</u>	<u>\$ (36,500)</u>	<u>\$ (19,700)</u>

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension and supplemental benefit plans with an accumulated benefit obligation in excess of plan assets are as follows:

	Dec. 31, 2024	Dec. 31, 2023
Projected benefit obligation, end of year	\$ 378,700	\$ 363,700
Accumulated benefit obligation, end of year	342,100	311,400
Fair value of plan assets, end of year	–	–

The projected benefit obligation and fair value of plan assets for pension and supplemental benefit plans with a projected benefit obligation in excess of plan assets are as follows:

	Dec. 31, 2024	Dec. 31, 2023
Projected benefit obligation, end of year	\$ 378,700	\$ 430,400
Fair value of plan assets, end of year	–	63,800

Other changes in plan assets and benefit obligations recognized on the Consolidated Statements of Comprehensive Income are as follows:

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
Current year actuarial (gain) / loss	\$ (247,200)	\$ 97,400	\$ (16,400)	\$ (19,400)
Amortization of actuarial loss	(6,800)	(4,100)	(700)	(100)
Amortization of prior service (credit) / cost	(400)	–	300	3,400
Total recognized in other comprehensive (income) / loss	<u>(254,400)</u>	<u>93,300</u>	<u>(16,800)</u>	<u>(16,100)</u>
Net periodic benefit income	(18,500)	(15,700)	(2,000)	(4,300)
Total recognized in other comprehensive (income) / loss and periodic benefit income	<u>\$ (272,900)</u>	<u>\$ 77,600</u>	<u>\$ (18,800)</u>	<u>\$ (20,400)</u>

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 10. Retirement income plans and postretirement benefit plans other than pensions (continued)

The net periodic benefit income consists of service costs and other periodic benefit costs, which include interest expense, expected return on assets, and amortization of gains and losses. The other periodic benefit components represent a benefit of \$94,300 and \$86,200 in 2024 and 2023, respectively, and are included as part of insurance-related expenses on the accompanying Consolidated Statements of Income.

Assumptions

Weighted-average assumptions used to determine benefit obligations are as follows:

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
Discount rate	5.64%	5.08%	5.37%	4.96%
Rate of compensation increase	4.63%	4.62%	4.56%	4.57%

Assumed healthcare cost trend rates:

	Dec. 31, 2024	Dec. 31, 2023
Initial rate	6.06%	6.30%
Ultimate rate	4.95%	4.95%
Years to ultimate	5 years	6 years

Weighted-average assumptions used to determine net periodic benefit cost are as follows:

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023
Discount rate	5.08%	5.41%	4.96%	5.29%
Expected long-term return on plan assets	7.25%	7.06%	6.00%	6.00%
Rate of compensation increase	4.62%	4.65%	4.57%	4.60%

Assumed healthcare cost trend rates:

	Dec. 31, 2024	Dec. 31, 2023
Initial rate	6.30%	6.55%
Ultimate rate	4.95%	4.56%
Years to ultimate	6 years	7 years

Pension and supplemental benefit plan assets

The Company's pension and supplemental benefit plan asset allocation and target allocation are as follows:

Asset Class	Target Allocation	Percentage of Plan Assets	
	Dec. 31, 2025	Dec. 31, 2024	Dec. 31, 2023
Equity securities	49%	51%	51%
Debt securities	40	34	36
Cash equivalents	9	–	–
Other	2	15	13
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 10. Retirement income plans and postretirement benefit plans other than pensions (continued)

The maturities of debt securities are as follows:

	Dec. 31, 2024	Dec. 31, 2023
Maturity range	0 – 99 years	0 – 99 years
Weighted-average maturity	18.92 years	19.04 years

The fair value measurements of pension and supplemental benefit plan assets at December 31, 2024, are as follows (refer to Note 3 for the valuation techniques):

Asset Class	Total	Level 1	Level 2
Equity securities:			
Communication services	\$ 17,400	\$ 17,400	\$ –
Consumer discretionary	30,900	30,900	–
Consumer staples	15,200	15,200	–
Energy	8,600	8,600	–
Financials	76,700	76,700	–
Healthcare	26,000	26,000	–
Industrials	55,500	55,500	–
Information technology	54,100	54,100	–
Materials	8,200	8,200	–
Mutual funds	487,300	321,900	165,400
Foreign	30,300	30,300	–
All other sectors	7,200	7,200	–
Total equity securities	817,400	652,000	165,400
Debt securities:			
U.S. treasury securities and obligations of U.S. government agencies	220,500	–	220,500
Mortgage and asset-backed securities			
Agency	5,800	–	5,800
Commercial	1,100	–	1,100
Residential	200	–	200
Other mortgage and asset-backed securities	1,600	–	1,600
U.S. corporate securities	298,200	–	298,200
Mutual funds	307,000	–	307,000
Foreign	13,400	–	13,400
Total debt securities	847,800	–	847,800
Common collective trusts	1,252,900	–	1,252,900
Cash equivalents	15,500	15,500	–
Total	\$ 2,933,600	\$ 667,500	\$ 2,266,100

Pension assets as of December 31, 2024, include \$516,900 of partnerships and hedge funds measured under the equity method using net asset value (NAV), \$6,300 of receivables for securities sold, and (\$32,100) of payables for securities purchased.

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 10. Retirement income plans and postretirement benefit plans other than pensions (continued)

The fair value measurements of pension and supplemental benefit plan assets at December 31, 2023, are as follows (refer to Note 3 for the valuation techniques):

Asset Class	Total	Level 1	Level 2
Equity securities:			
Communication services	\$ 8,400	\$ 8,400	\$ -
Consumer discretionary	33,900	33,900	-
Consumer staples	13,400	13,400	-
Energy	8,900	8,900	-
Financials	76,700	76,700	-
Healthcare	29,500	29,500	-
Industrials	44,400	44,400	-
Information technology	47,200	47,200	-
Materials	9,400	9,400	-
Mutual funds	505,000	342,600	162,400
Foreign	27,300	27,300	-
All other sectors	4,400	4,400	-
Total equity securities	<u>808,500</u>	<u>646,100</u>	<u>162,400</u>
Debt securities:			
U.S. treasury securities and obligations of U.S. government agencies	211,100	-	211,100
Mortgage and asset-backed securities			
Agency	13,100	-	13,100
Commercial	900	-	900
Residential	200	-	200
Other mortgage and asset-backed securities	1,900	-	1,900
U.S. corporate securities	316,000	-	316,000
Mutual funds	319,200	-	319,200
Foreign	12,900	-	12,900
Total debt securities	<u>875,300</u>	<u>-</u>	<u>875,300</u>
Common collective trusts	1,077,700	-	1,077,700
Cash equivalents	8,000	8,000	-
Total	<u>\$ 2,769,500</u>	<u>\$ 654,100</u>	<u>\$ 2,115,400</u>

Pension assets as of December 31, 2023, include \$425,600 of partnerships and hedge funds measured under the equity method using net asset value (NAV).

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 10. Retirement income plans and postretirement benefit plans other than pensions (continued)

Other postretirement benefit plan assets

The Company's other postretirement benefit plan asset allocation and target allocation are as follows:

Asset Class	Target Allocation	Percentage of Plan Assets	
	Dec. 31, 2025	Dec. 31, 2024	Dec. 31, 2023
Equity securities	90%	85%	84%
Cash equivalents	10	15	16
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

The fair value measurements of other postretirement benefit plan assets at December 31, 2024 and 2023, consisting of all Level 1 assets, are as follows (refer to Note 3 for the valuation techniques):

Asset Class	Dec. 31, 2024	Dec. 31, 2023
Equity securities:		
Communication services	\$ 15,800	\$ 13,600
Consumer discretionary	19,500	15,900
Consumer staples	12,000	11,500
Energy	6,000	6,200
Financials	21,600	17,600
Healthcare	18,000	19,400
Industrials	9,300	8,600
Information technology	43,600	34,700
Mutual funds	13,100	12,100
All other sectors	5,000	4,400
Total equity securities	<u>163,900</u>	<u>144,000</u>
Cash equivalents	<u>29,300</u>	<u>27,400</u>
Total	<u>\$ 193,200</u>	<u>\$ 171,400</u>

Pension and postretirement plans asset investment narrative

The investment asset allocation policies of the pension and postretirement plans specify the broad asset classes used by the pension plans for investment purposes and the general principles used in managing the plans' assets. The strategic asset allocation framework includes the asset classes that may be used and the ranges for each of the asset classes and sub-classes. The overriding objective for managing pension investments is to optimize plan surplus and long-term total return of plan assets within constraints established to control risk and volatility. The strategic asset allocations and ranges are segregated across five primary asset categories. The broad asset categories are equities, fixed income, alternatives, multi-assets, and cash and cash

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 10. Retirement income plans and postretirement benefit plans other than pensions *(continued)*

equivalents. The equities allocation includes U.S. and international equities. The fixed income allocation includes long duration and opportunistic fixed income. The alternatives asset allocation includes absolute return and private investments. The current approved ranges for the five asset categories in the U.S. pension fund, which is also the largest of the retirement plans, are as follows:

Asset Class	Range
Equities	35 – 65%
Fixed income	25 – 60%
Alternatives	0 – 20%
Multi-Assets	0 – 20%
Cash and cash equivalents	0 – 20%

Portfolio construction is based on prudent investment principles, including diversification across asset classes and external funds managers, and liability risk management with long term considerations. Institutional investment firms are employed to manage the investments and generally perform ongoing analysis of the fundamental, technical and valuation factors underlying the securities owned.

The equities allocation includes separately managed accounts with individual common stocks, and equity commingled and mutual funds with active and passive implementations. Diversification is emphasized through measured allocations across different styles and capitalization ranges and the inclusion of U.S. and international equities. Investment returns are benchmarked and monitored against standard indices, including the Russell U.S. indices, and MSCI global stock indices.

The fixed income allocation consists of long duration and opportunistic fixed income strategies, held in separately managed accounts, commingled trusts, and mutual funds. Debt securities are actively managed by institutional investment managers and teams, using best practice investment disciplines. The majority of the fixed income portfolio provides a high-quality long duration complement to the total pension investment portfolio.

The alternatives allocation includes private equity; private credit; real assets, including real estate and infrastructure; and absolute return liquid alternatives strategies.

The multi-assets allocation incorporates diversified strategies across various asset classes and includes global tactical asset allocation and a dynamic pension management strategy with a focus on asset liability management.

The cash and cash equivalents category includes short-term investments, defined as debt securities with a maturity of less than one year, held primarily for liquidity purposes and secondarily to reduce the duration of fixed income securities when warranted by interest rate levels. Capital preservation is the primary consideration of investments in this asset class; therefore, only the highest quality investments are used. This allocation primarily includes money market funds, commercial paper carrying the highest quality ratings, and cash.

Expected rate of return assumptions are created based on an analysis of the long-term behavior and performance expectations of asset classes. As part of the process to develop long-term assumptions, historical relationships across asset classes and risk-free rates are considered together with historical returns and forward-looking assessments. The long-term expected rate of return is adjusted based on structural changes, if any, in underlying market conditions, or material changes to the strategic asset allocation mix. The expected return for the plan blends return assumptions for the strategic asset allocation mix, including equities, fixed income, alternatives, and multi-assets, along with a nominal allocation to cash and cash equivalents.

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 10. Retirement income plans and postretirement benefit plans other than pensions (continued)

Cash flows

Employer Contributions	Pension and Supplemental Benefits	Other Benefits
2023	\$ 4,000	\$ -
2024	1,700	-
2025 (expected)	1,700	-

Contributions by participants to the other benefit plans were \$500 for the years ended December 31, 2024 and 2023.

Benefit Payments	Pension and Supplemental Benefits	Other Benefits	Other Benefits (Government Subsidy)
2023	\$ 127,600	\$ 11,600	\$ 300
2024	132,400	10,600	300

Estimated Future Payments	Pension and Supplemental Benefits	Other Benefits	Other Benefits (Government Subsidy)
2025	\$ 138,100	\$ 10,300	\$ 300
2026	145,100	10,100	200
2027	152,800	10,300	200
2028	160,200	10,200	200
2029	167,500	9,500	200
2030 – 2034	946,500	43,700	700

The Company also sponsors a 401(k) savings plan whereby eligible employees may elect annually to contribute from 1% to 50% of their base pay on a pretax or after-tax basis. Employee contributions are restricted to Internal Revenue Service limits. The Company matches pretax and after-tax contributions up to 6% of the employee's base pay. Company contributions to the plan were \$31,800 in 2024 and \$29,700 in 2023.

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 11. Components of accumulated other comprehensive loss

The changes in accumulated other comprehensive loss by component, net of income tax, for the year ended December 31, 2024, are as follows:

	Unrealized Appreciation on Investments in Debt Securities	Benefit Plan Assets and Liabilities	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Loss
Balance at January 1, 2024	\$ (290,000)	\$ (258,200)	\$ (345,100)	\$ (893,300)
Other comprehensive income / (loss) before reclassifications	(35,100)	208,400	(136,700)	36,600
Amount reclassified from accumulated other comprehensive loss	40,200	6,000	–	46,200
Net current period other comprehensive income / (loss)	5,100	214,400	(136,700)	82,800
Balance at December 31, 2024	<u>\$ (284,900)</u>	<u>\$ (43,800)</u>	<u>\$ (481,800)</u>	<u>\$ (810,500)</u>

The following are reclassifications out of accumulated other comprehensive loss to net income for the year ended December 31, 2024:

Unrealized appreciation of investments in debt securities:

Net realized investment losses	\$ (53,100)
Other than temporary impairment losses	–
Total before tax	<u>(53,100)</u>
Income tax benefit	12,900
Net of tax	<u>\$ (40,200)</u>

Amortization of benefit plan amounts:

Actuarial losses	\$ (7,500) (a)
Prior service cost	(100) (a)
Total before tax	<u>(7,600)</u>
Income tax benefit	1,600
Net of tax	<u>\$ (6,000)</u>

(a) These accumulated other comprehensive loss components are included in the computation of net periodic cost (see Note 10).

Notes to consolidated financial statements December 31, 2024 and 2023

(in thousands)

Note 11. Components of accumulated other comprehensive loss (continued)

The changes in accumulated other comprehensive loss by component, net of income tax, for the year ended December 31, 2023, are as follows:

	Unrealized Appreciation on Investments in Debt Securities	Benefit Plan Assets and Liabilities	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Loss
Balance at January 1, 2023	\$ (494,200)	\$ (195,700)	\$ (455,500)	\$ (1,145,400)
Other comprehensive income / (loss) before reclassifications	140,800	(63,100)	110,400	188,100
Amount reclassified from accumulated other comprehensive loss	63,400	600	–	64,000
Net current period other comprehensive income / (loss)	204,200	(62,500)	110,400	252,100
Balance at December 31, 2023	<u>\$ (290,000)</u>	<u>\$ (258,200)</u>	<u>\$ (345,100)</u>	<u>\$ (893,300)</u>

The following are reclassifications out of accumulated other comprehensive loss to net income for the year ended December 31, 2023:

Unrealized appreciation of investments in debt securities:

Net realized investment losses	\$ (80,800)
Other than temporary impairment losses	–
Total before tax	<u>(80,800)</u>
Income tax benefit	17,400
Net of tax	<u>\$ (63,400)</u>

Amortization of benefit plan amounts:

Actuarial losses	\$ (4,200)	(a)
Prior service cost	3,400	(a)
Total before tax	<u>(800)</u>	
Income tax benefit	200	
Net of tax	<u>\$ (600)</u>	

(a) These accumulated other comprehensive loss components are included in the computation of net periodic cost (see Note 10).

Note 12. Subsequent events

Subsequent events were evaluated through March 24, 2025, the date the Company's consolidated financial statements were available to be issued. No material transactions occurred after the balance sheet date that would impact the Company's consolidated financial statements.