

**EVEREN LIMITED**

**Consolidated Financial Statements**  
(With Independent Auditor's Report Thereon)

Years Ended December 31, 2024 and 2023



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## **INDEPENDENT AUDITORS' REPORT**

### **To the Board of Directors of Everen Limited**

#### **Opinion**

We have audited the consolidated financial statements of Everen Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

#### **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 *Auditors' responsibilities for the audit of the consolidated 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 consolidated financial statements**

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

In preparing the consolidated 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 consolidated financial statements are available to be issued.

#### **Auditors' responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional scepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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**

U.S. generally accepted accounting principles require that certain disclosures related to short-duration contracts in Note 5 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated 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.

*KPMG Audit Limited*

Chartered Professional Accountants  
Hamilton, Bermuda  
February 24, 2025

**EVEREN LIMITED**

## Consolidated Balance Sheets

December 31, 2024 and 2023

*(Expressed in Thousands of United States Dollars)*

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Cash and cash equivalents (Note 2(k))	\$ 529,686	\$ 464,342
Investments in marketable securities and derivative assets (Notes 2(f), 2(g), 3 and 4)	4,545,803	4,555,242
Other investments (Notes 2(f) and 3)	524,809	490,705
Investment sales pending settlement	108,649	273,936
Accrued investment income	21,925	18,182
Amounts due from affiliates (Note 7(b))	2,961	4,278
Retrospective premiums receivable (Note 2(c))	31,076	33,583
Accounts receivable (Note 2(b))	8	30
Other assets (Note 2(l))	10,708	4,449
	<hr/>	<hr/>
Total assets	\$ 5,775,625	\$ 5,844,747
	<hr/>	<hr/>
<b>Liabilities</b>		
Outstanding losses and loss expenses (Note 5)	\$ 1,440,746	\$ 1,603,444
Retrospective premiums payable	688	526
Securities sold short (Notes 2(j), 3 and 4)	250,488	193,496
Investment purchases pending settlement	104,874	356,747
Derivative liabilities (Notes 2(g), 3 and 4)	28,877	66,756
Accounts payable (Note 2(l))	32,392	28,586
	<hr/>	<hr/>
Total liabilities	1,858,065	2,249,555
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<b>Shareholders' equity</b>		
Common shares (Note 6)	720	670
Retained earnings	3,916,840	3,594,522
	<hr/>	<hr/>
Total shareholders' equity	3,917,560	3,595,192
	<hr/>	<hr/>
Total liabilities and shareholders' equity	\$ 5,775,625	\$ 5,844,747
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*See accompanying notes to consolidated financial statements*

**EVEREN LIMITED**

## Consolidated Statements of Operations

Years Ended December 31, 2024 and 2023

*(Expressed in Thousands of United States Dollars)*

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	<u>2024</u>	<u>2023</u>
Premiums written (Note 2(b))	\$ 495,865	\$ 540,719
Retrospective premiums (Note 2(c))	<u>9,839</u>	<u>10,685</u>
Premiums written and earned	505,704	551,404
Discount earned on retrospective premiums receivable (Note 2(c))	792	825
Losses and loss expenses incurred (Note 5)	(156,212)	(390,955)
Acquisition costs	<u>(2,320)</u>	<u>(2,791)</u>
Net underwriting income	347,964	158,483
	<hr/>	<hr/>
Interest income	120,843	103,847
Net gains on investments (Note 3)	235,987	447,034
Dividend income	19,800	20,590
Investment advisory and custodian fees	<u>(25,175)</u>	<u>(24,409)</u>
Net investment income	351,455	547,062
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General and administrative expenses (Note 7(a))	(27,101)	(26,081)
Net income	<u>\$ 672,318</u>	<u>\$ 679,464</u>

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*See accompanying notes to consolidated financial statements*

**EVEREN LIMITED**

## Consolidated Statements of Changes in Shareholder's Equity

Years Ended December 31, 2024 and 2023

*(Expressed in Thousands of United States Dollars)*

	Common shares		Retained earnings	Total
	Number of shares			
Balance at December 31, 2022	65	\$ 650	\$ 3,115,058	\$ 3,115,708
Shares issued in year	3	30	—	30
Shares redeemed in year (Note 6)	(1)	(10)	—	(10)
Net income	—	—	679,464	679,464
Dividend on common shares (Note 6)	—	—	(200,000)	(200,000)
Balance at December 31, 2023	67	\$ 670	\$ 3,594,522	\$ 3,595,192
Shares issued in year	5	50	—	50
Shares redeemed in year (Note 6)	—	—	—	—
Net income	—	—	672,318	672,318
Dividend on common shares (Note 6)	—	—	(350,000)	(350,000)
Balance at December 31, 2024	72	\$ 720	\$ 3,916,840	\$ 3,917,560

*See accompanying notes to consolidated financial statements*

**EVEREN LIMITED**

## Consolidated Statements of Cash Flows

Years Ended December 31, 2024 and 2023

*(Expressed in Thousands of United States Dollars)*

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities</b>		
Net income	\$ 672,318	\$ 679,464
Adjustments to reconcile net income to net cash provided by operating activities:		
Net (gains) on investments	(235,987)	(447,034)
Proceeds from the sale of investments	4,729,329	5,771,237
Purchase of investments	(4,642,366)	(5,411,471)
Proceeds from the sale of securities sold short	742,845	658,404
Purchase of securities sold short	(685,959)	(653,920)
Changes in operating assets and liabilities:		
Accrued investment income	(3,743)	(1,200)
Amounts due from affiliates	1,317	(239)
Retrospective premiums receivable	2,507	5,879
Accounts receivable	22	(27)
Other assets	(6,259)	1,279
Outstanding losses and loss expenses	(162,698)	(493,273)
Retrospective premiums payable	162	526
Accounts payable	3,806	(919)
	<hr/>	<hr/>
Net cash provided by operating activities	415,294	108,706
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<b>Cash flows from financing activities</b>		
Issuance of common shares, net	50	20
Dividends paid on common shares	(350,000)	(200,000)
	<hr/>	<hr/>
Net cash used by financing activities	(349,950)	(199,980)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	65,344	(91,274)
Cash and cash equivalents at beginning of year	464,342	555,616
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Cash and cash equivalents at end of year	\$ 529,686	\$ 464,342
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*See accompanying notes to consolidated financial statements*

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**1. Nature of the business**

Everen Limited (the "Company") was incorporated under the laws of Bermuda on December 14, 1971 and carries on business as an insurance and reinsurance company insuring specific property, pollution liability, control of well and other similar risks of its members, of which there were 72 companies as at December 31, 2024. The members comprise companies in the energy industry. The Company holds a Class 2 license under The Insurance Act 1978 of Bermuda and related regulations.

During the year ended December 31, 2024, coverage provided to each insured is limited to \$450.0 million per occurrence (2023 - \$450.0 million) for non-Designated Named Windstorm events. There is no annual aggregate limit for each insured; however, there is an aggregation limit in place for multiple claims arising from a single occurrence of \$1.4 billion (2023 - \$1.4 billion). There is a per occurrence limit of \$150.0 million for Designated Named Windstorm ("DNWS") losses and only the DNWS losses up to an aggregate annual retention of \$300.0 million are mutualized among all members with any DNWS losses above that amount being mutualized among the DNWS pool members only.

**2. Summary of significant accounting policies**

The accompanying Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The following are the significant accounting policies adopted by the Company:

*(a) Principles of consolidation*

These Consolidated Financial Statements include the results of the Company and its wholly-owned subsidiaries, Everen Investment Ltd. ("EIL") and Everen Management Services Ltd. ("EMSL"). EIL was established to hold the Company's investment portfolios and EMSL was established to provide administrative support services to the Company. All intercompany transactions are eliminated on consolidation. Given the nature of EMSL is to recharge expenses incurred to affiliated companies, these expenses and related recharges have been included on a net basis in the Consolidated Statement of Operations.

*(b) Premiums and acquisition costs*

Premiums are recorded on an accruals basis. All premiums written are earned at the balance sheet date.

Under the terms of the Rating and Premium Plan, all members are charged a withdrawal premium upon their withdrawal from the Company. In 2024, the Company recorded withdrawal premiums totaling \$nil (2023 - \$nil) which is recorded within accounts receivable in the Consolidated Balance Sheets.

Acquisition costs, consisting primarily of commissions, are charged to income on a pro rata basis over the term of each policy.



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**2. Summary of significant accounting policies (continued)***(c) Retrospective premiums*

Certain of the Company's insurance policies provide for the receipt of retrospective premiums relating to losses incurred by its insureds, with such payments being receivable over a five year period. Retrospective premiums are recognized as premiums written and earned in the Consolidated Statement of Operations in the year in which the loss is incurred and are adjusted periodically in accordance with changes in the estimates of underlying losses. Retrospective premiums receivable and payable are non-interest bearing and, accordingly, are discounted at prevailing interest rates and this discount is accreted over the collection period. For the year ended December 31, 2024 this rate is approximately 4.27% (2023 - 4.01%). Discount accreted on the retrospective premium receivable and payable is recorded in the Consolidated Statement of Operations.

*(d) Outstanding losses and loss expenses*

The reserve for outstanding losses and loss expenses represents current estimates of reported losses and loss expenses based upon the judgment of the Company's claims personnel and reports received from independent loss adjusters and legal counsel, plus a provision for losses incurred but not reported ("IBNR") based on the recommendations of an independent actuary using the past loss experience of the Company.

Management is of the opinion that the recorded reserves are adequate to cover the ultimate cost of losses incurred to date, but the provisions are necessarily estimates based upon information currently known and may ultimately be settled for a significantly greater or lesser amount. It is at least reasonably possible that management will revise these estimates significantly in the near term. Any subsequent differences are recorded in the period in which they are determined.

The establishment of the provision for outstanding losses and loss adjustment expenses is based upon known facts and interpretation of circumstances and is therefore a complex and dynamic process influenced by a large variety of factors. In establishing a provision for unpaid claims and claims expenses related to environmental exposure and clean-up, management considers facts currently known, the current state of laws and litigation and current estimates of reported losses and loss expenses. Liabilities are recognized for known claims when sufficient information has been developed to indicate the involvement of a specific policy, and management can reasonably estimate the Company's liability. In addition, a provision for adverse development for reported notifications and incurred but not reported claims is recorded based on the recommendations of an independent actuary using the past loss history of the Company and industry data.

*(e) Subrogation recoveries*

In the normal course of business, the Company pursues recovery of certain losses through subrogation claims. Subrogation proceeds are recorded as a reduction of losses incurred in the year in which agreement of the recovery is determined. Subrogation recoveries for the year ended December 31, 2024, amounted to \$10.2 million (2023 - \$nil).

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**2. Summary of significant accounting policies (continued)**

*(f) Investments in marketable securities, other investments and investment income*

Investments are classified as trading and are carried in the Consolidated Balance Sheet at fair value. Realized and unrealized gains and losses are included in the Consolidated Statement of Operations. Security transactions are accounted for on a trade date basis with investment purchases and sales pending settlement accrued in the Consolidated Balance Sheet. Other investments consist of investments in hedge funds and fund of funds and are carried at fair value. The units of account that are valued by the Company are its interest in the funds and not the underlying holdings of such funds. Thus, the inputs used by the Company to value its investments in each of the funds may differ from the inputs used to value the underlying holdings of such funds. These funds are stated at fair value, which ordinarily will be the most recently reported net asset value ("NAV") as reported by their investment managers or third-party administrators. The use of net asset value as an estimate of the fair value for investments in certain entities that calculate the net asset value is a permitted practical expedient. The change in the fair value of other investments is included in the Consolidated Statement of Operations. As of December 31, 2024, the Company does not have any unfunded commitments related to these investments.

Investment gains and losses are computed using the average costs of securities sold and are recorded in the Consolidated Statement of Operations. Dividend income, net of withholding tax, is recorded when declared. Interest income is accrued to the balance sheet date.

Short term investments comprise securities due to mature within one year of the balance sheet date.

*(g) Derivative financial instruments*

The Company recognizes all derivatives as either assets or liabilities in the Consolidated Balance Sheet and measures those instruments at fair value. All changes in the fair value of derivatives are recorded in the Consolidated Statement of Operations. None of the derivatives used by the Company are designated as accounting hedges. Derivatives are used by the Company to mitigate certain risks inherent in holding the underlying debt or equity securities, or are designed to provide exposure to certain sectors or markets and to enhance investment returns. (see Notes 3 and 4).

*(h) Translation of foreign currency investments and losses*

The costs of foreign currency investments are translated at exchange rates in effect on the date of purchase; fair values are translated at year end exchange rates. Reserves for outstanding losses denominated in foreign currencies are translated at exchange rates in effect at the balance sheet date. Realized and unrealized exchange gains and losses are included in the Consolidated Statement of Operations.

*(i) Fair value of financial instruments*

The following methods and assumptions are used by the Company in estimating the fair value of its financial instruments:

*Cash and cash equivalents:* The carrying amounts reported in the Consolidated Balance Sheet for these instruments approximate their fair values.

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**2. Summary of significant accounting policies (continued)****(i) Fair value of financial instruments (continued)**

*Investments in marketable securities including investments held within restricted assets:* Fair values of fixed maturity securities, equity securities and short term investments are based on market prices quoted by broker dealers in that market or quoted on the relevant exchange. The Company invests in fixed income and equity funds. When there is no market price available for the funds on a recognized exchange, the Company values the funds using the net asset values obtained from the investment managers or the administrators of the respective investment funds. These investment entities carry their investments at fair value.

*Other investments:* Hedge fund investments, which are investments in fund of funds and investments in other hedge funds, are valued using the net asset values obtained from the investment managers or the administrators of the respective investment funds. These investment entities carry their investments at fair value.

*Derivatives:* The fair value of these instruments are based upon quoted market prices. Where quoted market prices are not available, fair value is based upon prices provided by the counterparty.

*Other assets and liabilities:* The fair values of investment purchases and sales pending settlement, amounts due from/to affiliates, premiums received in advance and accounts payable approximate their carrying value due to the immediate or short-term maturity of these financial instruments. Retrospective premiums receivable and payable are carried at the discounted present value of future cash flows which approximates their fair value.

The estimates of fair value presented herein are subjective in nature and are not necessarily indicative of the amounts that the Company could realize in a current market exchange. Any differences are not expected to be material. All non-financial instruments such as unearned premiums, prepaid reinsurance premiums, other assets and financial instruments related to insurance contracts such as outstanding losses and loss expenses and losses recoverable from reinsurers are excluded from fair value disclosure. Thus the total fair value amounts cannot be aggregated to determine the underlying economic value of the Company.

**(j) Short selling**

The Company may sell a security it does not own in anticipation of a decline in the fair value of that security. Securities sold short are recorded as liabilities in the Consolidated Balance Sheet at fair value. The Company must borrow the security or enter into an arrangement to borrow the security before the Company sells a security short. The Company is required to maintain collateral with the broker-dealer from which the security was borrowed. A gain, limited to the price at which the Company sold the security short, or a loss, unlimited in size, will be realized upon the termination of a short sale. The Company is also subject to the risk that it may be unable to reacquire a security to close a short position except at a price substantially in excess of the last quoted price. Realized and unrealized gains and losses arising from short sales are recorded within net (losses) gains on investments in the Consolidated Statement of Operations

**(k) Cash and cash equivalents**

For the purposes of the Consolidated Statement of Cash Flows, cash equivalents include time deposits with an original maturity period of ninety days or less.

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**2. Summary of significant accounting policies (continued)***(l) Leases*

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The Company does not have any leases classified as finance leases. For its operating leases, the Company recognizes an operating lease liability and corresponding operating right-of-use asset on the Balance Sheet. Lease assets and liabilities are initially recognized and measured based on the present value of the lease payments. The Company made an election to include both lease and non-lease components as a single component for all leases. The Company has also elected to use a risk-free discount rate on the effective date of the lease on a straight line basis over the lease term. For the year ended December 31, 2024 this rate is approximately 4.44%. The value of the lease asset and lease liability are included in other assets and accounts payable respectively. As of December 31, 2024, the Company had \$8.5 million (2023 - \$1.7 million) of operating lease right-of-use assets included in other assets and \$8.5 million (2023 - \$1.7 million) of operating lease liabilities included in accounts payable.

*(m) Recently adopted accounting pronouncements*

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 modifies the recognition of credit losses by replacing the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is applicable to financial assets such as loans, debt securities, trade receivables, off-balance sheet credit exposures, and other financial assets that have the contractual right to receive cash. The Company's invested assets are measured at fair value through net income, and therefore those invested assets were not impacted by the adoption of ASU 2016-13. ASU 2016-03 became effective for non-public entities for fiscal years beginning after December 15, 2022. Accordingly, the Company adopted ASU 2016-13 effective January 1, 2023. The adoption of ASU 2016-13 did not have a material impact on the Company's Consolidated Balance Sheet and Consolidated Statement of Operations.

**EVEREN LIMITED**

## Notes to Consolidated Financial Statements

December 31, 2024 and 2023

**3. Investments**

The fair values of investments as at December 31, 2024 and 2023 are as follows:

	<u>2024</u> (\$'000)	<u>2023</u> (\$'000)
<u>Short Term Investments</u>	<u>\$ 841,992</u>	<u>\$ 523,655</u>
<u>Derivative Assets</u>	<u>27,162</u>	<u>90,456</u>
<u>Equity Securities</u>	<u>1,750,954</u>	<u>1,748,661</u>
<u>Fixed Maturities</u>		
US Treasury and Government Agency	719,259	407,041
State and Municipal Bonds	21,793	24,862
Non-US Government Bonds	79,789	302,817
Supranationals	—	6,193
Corporate Bonds	711,566	913,917
Asset-Backed Securities	179,735	240,161
Residential Mortgage-Backed Securities	204,610	297,203
Commercial Mortgage-Backed Securities	<u>8,943</u>	<u>276</u>
Total Fixed Maturities	<u>1,925,695</u>	<u>2,192,470</u>
Total Investments in Marketable Securities and Derivative Assets	<u>\$ 4,545,803</u>	<u>\$ 4,555,242</u>
Other Investments	<u>\$ 524,809</u>	<u>\$ 490,705</u>

In the table above mortgage-backed securities issued by US government agencies are combined with other mortgage-backed securities held and are included in the category "Residential Mortgage-Backed Securities" and "Commercial Mortgage-Backed Securities". At December 31, 2024, approximately 48% (2023 - 73%) of the total mortgage-backed holdings are represented by investments in GNMA, FNMA and FHLMC securities. The remainder of the mortgage exposure consists of collateralized mortgage obligations and non-government issued securities, the majority of which have investment grade credit ratings.

The credit quality of fixed maturities and short term investments as at December 31, 2024 and 2023, are as follows:

	<u>2024</u> (\$'000)	<u>2023</u> (\$'000)
US Treasury and Government Agency	\$ 1,427,261	\$ 588,113
AAA	205,182	400,363
AA	217,087	268,255
A	289,304	651,120
BBB	510,984	662,186
Below BBB	<u>117,869</u>	<u>146,088</u>
Total Fixed Maturities and Short Term Investments	<u>\$ 2,767,687</u>	<u>\$ 2,716,125</u>

The Company's methodology for assigning credit ratings to fixed maturities and short term investments, uses the middle rating if there is a split rating between Standard & Poor's, Moody's and/or Fitch; when a rating from only two agencies is available the lower rating is used; when only one agency rates a bond that rating is used. Securities with a credit rating below investment grade as at December 31, 2024, had a net unrealized loss of \$10.4 million (2023 - \$15.9 million net unrealized loss) at the same date, which has been recorded in the Consolidated Statement of Operations.

**EVEREN LIMITED**

## Notes to Consolidated Financial Statements

December 31, 2024 and 2023

**3. Investments (continued)**

The contractual maturities of fixed maturities and short term investments as at December 31, 2024 and 2023, are as follows:

	<u>2024</u> (\$'000)	<u>2023</u> (\$'000)
Due in one year or less	\$ 841,992	\$ 523,655
Due after one year through five years	905,667	949,299
Due after five years through ten years	324,017	366,785
Due after ten years	<u>302,723</u>	<u>338,746</u>
Contractual maturities of fixed maturities and short term investments	<u>\$ 2,374,399</u>	<u>\$ 2,178,485</u>
Asset-Backed Securities	179,735	240,161
Residential Mortgage-Backed Securities	204,610	297,203
Commercial Mortgage-Backed Securities	<u>8,943</u>	<u>276</u>
Total Fixed Maturities and Short Term Investments	<u><u>\$ 2,767,687</u></u>	<u><u>\$ 2,716,125</u></u>

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties and the lenders may have the right to put or sell the securities back to the borrower.

The gross realized gains and gross realized losses on investments and the change in unrealized gains and losses for the years ended December 31, 2024 and 2023 are as follows:

	<u>2024</u> (\$'000)	<u>2023</u> (\$'000)
Gross realized gains on investments	\$ 788,888	\$ 703,033
Gross realized losses on investments	(717,850)	(628,101)
Gross realized gains on derivative instruments	237,263	199,928
Gross realized losses on derivative instruments	(166,026)	(191,598)
Gross realized gains on other investments	540	140,716
Gross realized losses on other investments	(99)	(3,941)
Change in net unrealized losses during the year on investments	77,365	274,569
Change in net unrealized gains during the year on other investments	41,321	(105,020)
Change in net unrealized losses during the year on derivative instruments	<u>(25,415)</u>	<u>57,448</u>
Net gains on investments	<u><u>\$ 235,987</u></u>	<u><u>\$ 447,034</u></u>

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**3. Investments (continued)**

During the year ended December 31, 2024, the change in net unrealized gains and losses on investments was attributable to movements in the fair value of the Company's equity securities of a \$25.1 million gain (2023 - \$172.5 million gain) and fixed maturities and short term investments of a \$52.3 million gain (2023 - \$102.0 million gain).

Under U.S. GAAP the Company is required to determine the appropriate level in the fair value hierarchy for each fair value measurement. The fair value hierarchy prioritizes the inputs, which refer broadly to assumptions market participants would use in pricing an asset or liability, into three levels. It gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Level 1 financial instruments include certain short duration instruments such as short term investments, U.S. treasury securities and exchange traded equities..

Level 2 inputs are those which are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar observable market data. Level 2 financial instruments include sovereign debt, corporate debt, U.S. agency and non-agency mortgage and asset-backed securities and derivatives.

Level 3 includes financial instruments whose value is based on valuation techniques that use significant inputs which are unobservable. These measurements include circumstances in which there is little, if any, market activity for the asset or liability. In making the assessment, the Company considers factors specific to the asset or liability and such an assessment will involve significant management judgment. Because of the inherent uncertainty in the valuation of these Level 3 investments, fair values of such investments may differ from the values that would have been used had a ready market for these investments existed, and the differences could be material.

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. Thus, a Level 3 fair value measurement may include inputs that are observable (Level 1 and 2) and unobservable (Level 3).

Fair value prices for all securities in the fixed maturities portfolio are independently provided by the investment custodian and the investment managers, which each utilize internationally recognized independent pricing services. The Company records the unadjusted price provided by the investment custodian or the investment accounting service provider and validates this price through a process that includes, but is not limited to: (i) comparison to the price provided by the investment manager, with significant differences investigated; (ii) quantitative analysis (e.g. comparing the quarterly return for each managed portfolio to its target benchmark, with significant differences identified and investigated); (iii) evaluation of methodologies used by external pricing sources to calculate fair value; and (iv) comparing the price to the Company's knowledge of the current investment market.

The independent pricing services used by the investment custodian, investment accounting service provider and investment managers obtain actual transaction prices for securities that have quoted prices in active markets. Each pricing service has its own proprietary method for determining the fair value of securities that are not actively traded. In general, these methods involve the use of "matrix pricing" in which the independent pricing service uses observable market inputs including, but not limited to, reported trades, benchmark yields, broker/dealer quotes, interest rates, prepayment speeds, default rates and such other inputs as are available from market sources to determine a reasonable fair value. In addition, pricing services use valuation models to develop prepayment and interest rate scenarios.

The fair values of short-term investments are determined based on observable inputs that may include the spread above the risk-free yield curve, reported trades and broker-dealer quotes.

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**3. Investments (continued)**

For all assets classified as Level 2, the market approach is utilized. The significant inputs used to determine the fair value of those assets classified as Level 2 are as follows:

- US government agency securities fair values were based on observable inputs that may include the spread above the risk-free yield curve, reported trades and broker/dealer quotes. These are considered observable market inputs and, therefore, the fair value of these securities are generally classified within Level 2.
- Non-U.S. government securities consist of bonds issued by non-U.S. governments and agencies along with supranational organizations. The significant inputs include the spread above the risk-free yield curve, reported trades and broker/dealer quotes. These are considered to be observable market inputs and, therefore, the fair values of these securities are classified within Level 2.
- Corporate securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker/dealer quotes, benchmark yields, and industry and market indicators. These are considered observable market inputs and, therefore, the fair value of these securities are classified within Level 2.
- Municipal securities consist primarily of bonds issued by U.S. domiciled state and municipality entities. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker/ dealer quotes and benchmark yields. These are considered observable market inputs and, therefore, the fair value of these securities are classified within Level 2.
- Asset-backed securities consist primarily of investment-grade bonds backed by pools of loans with a variety of underlying collateral. The significant inputs used to determine the fair value of these securities include the spread above the risk-free yield curve, reported trades, benchmark yields, broker/dealer quotes, prepayment speeds, and default rates. These are considered observable market inputs and, therefore, the fair value of these securities are classified within Level 2.
- Residential and commercial mortgage-backed securities include both agency and non-agency originated securities. Agency originated securities include securities issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other U.S. government agencies. The significant inputs used to determine the fair value of these securities include the spread above the risk-free yield curve, reported trades, benchmark yields, broker/dealer quotes, prepayment speeds, and default rates. These are considered observable market inputs and, therefore, the fair value of these securities are classified within Level 2.

The ability to obtain quoted market prices is reduced in periods of decreasing liquidity, which generally increases the use of matrix pricing methods and generally increases the uncertainty surrounding the fair value estimates. This could result in the reclassification of a security between levels of the fair value hierarchy.



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**3. Investments (continued)**

Effective September 2, 2023, the Company invested in a "Direct Hedge Fund" portfolio that is invested with a number of managers following various strategies. As of December 31, 2024, the Direct Hedge Fund portfolio was invested with 10 managers, with the common strategies being global macro, multi-strategy/event driven and long/ short equity. The funds require a range of notice periods for redemptions ranging from 5 business days to 90 calendar days. Four of the funds with lock-ups for the last 12 months from inception have expired, while one is ongoing that only permits redemptions on months that mark a quarter end. Additionally, five of the funds have quarterly investor gates that limit the amount an investor can redeem at one time. The company also invests in one 'fund of funds' hedge fund portfolio, which invests in a number of underlying funds, following different investment strategies. The 'fund of funds' hedge fund portfolio requires 90 days' notice of redemption, and may be redeemed on a quarterly basis.

Certain fund of funds may be allowed to invest a portion of their assets in illiquid securities, such as private equity or convertible debt. In such cases, a common mechanism used is a side-pocket, whereby the illiquid security is assigned to a separate memorandum capital account or designated account. Typically, the investor loses its redemption rights in the designated account. Only when the illiquid security is sold, or otherwise deemed liquid by the fund of funds, may investors redeem their interest in the side-pocket. As of December 31, 2024, the fair value of hedge funds held in lock ups or gates was \$174.6 million (2023 - \$159.1 million). No funds in the Hedge Fund portfolios held any side-pocket investments as of December 31, 2024 (2023 - \$nil).

The Company has ongoing due diligence processes with respect to funds in which it invests and their managers. These processes are designed to assist the Company in assessing the quality of information provided by, or on behalf of, each fund and in determining whether such information continues to be reliable or whether further review is warranted. Certain funds do not provide full transparency of their underlying holdings; however, the Company obtains the audited financial statements for the fund of funds annually, and regularly reviews and discusses the fund performance with the fund managers to corroborate the reasonableness of the reported net asset values. While reported net asset value is the primary input to the review, when the net asset value is deemed not to be indicative of fair value, the Company may incorporate adjustments to the reported net asset value and not use the permitted practical expedient on an investment by investment basis. These adjustments may involve significant management judgment. The Company has not made any such adjustments for the year ended December 31, 2024 or 2023. Hedge fund investments measured at net asset value are not required to be disclosed within the fair value hierarchy.

Derivative financial instruments that have quoted prices on a recognized exchange, such as futures and option contracts, are classified as Level 1. Over the counter derivative instruments such as interest rate swaps, foreign exchange forward contracts and credit default swaps, whose prices are based upon reports from counterparties of the transactions or observable market inputs, are classified as Level 2.

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets and liabilities. Reclassifications between Level 1, 2 and 3 of the fair value hierarchy are reported as transfers in and/ or out as of the beginning of the quarter in which the reclassifications occur.

**EVEREN LIMITED**

## Notes to Consolidated Financial Statements

December 31, 2024 and 2023

**3. Investments (continued)**

The following tables summarize the levels of inputs used as of December 31, 2024 and 2023, in determining the classification of investment assets and liabilities held at fair value:

December 31, 2024	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u> <sup>1</sup>	<u>Total</u>
<u>Assets</u>	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Short Term Investments	\$ 708,001	\$ 133,987	\$ 4	\$ —	\$ 841,992
Derivatives Assets, net	—	27,162	—	—	27,162
Equity Securities	1,524,760	—	—	226,194	1,750,954
US Treasury and Government Agency	719,259	—	—	—	719,259
State and Municipal Bonds	—	21,793	—	—	21,793
Non-US Government Bonds	—	79,789	—	—	79,789
Supranationals	—	—	—	—	—
Corporate Bonds	—	702,539	—	9,027	711,566
Asset-Backed Securities	—	179,735	—	—	179,735
Residential Mortgage-Backed Securities	—	204,610	—	—	204,610
Commercial Mortgage-Backed Securities	—	8,943	—	—	8,943
Total Investments in Marketable Securities and Derivative Assets	<u>\$2,952,020</u>	<u>\$ 1,358,558</u>	<u>\$ 4</u>	<u>\$ 235,221</u>	<u>\$ 4,545,803</u>
Other Investments measured at net asset value <sup>1</sup>					\$ 524,809
<u>Liabilities</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u> <sup>1</sup>	<u>Total</u>
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Equity Securities Sold Short	\$ (250,488)	\$ —	\$ —	\$ —	\$ (250,488)
Derivative Liabilities	\$ —	\$ (28,877)	\$ —	\$ —	\$ (28,877)

**EVEREN LIMITED**

## Notes to Consolidated Financial Statements

December 31, 2024 and 2023

**3. Investments (continued)**

December 31, 2023	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u> <sup>1</sup>	<u>Total</u>
<u>Assets</u>	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Short Term Investments	\$ 181,071	\$ 342,578	\$ 6	\$ —	\$ 523,655
Derivatives Assets	—	90,456	—	—	90,456
Equity Securities	1,550,051	—	—	198,610	1,748,661
US Treasury and Government Agency	407,041	—	—	—	407,041
State and Municipal Bonds	—	24,862	—	—	24,862
Non-US Government Bonds	—	256,493	—	46,324	302,817
Supranationals	—	6,193	—	—	6,193
Corporate Bonds	—	905,670	—	8,247	913,917
Asset-Backed Securities	—	240,161	—	—	240,161
Residential Mortgage-Backed Securities	—	297,203	—	—	297,203
Commercial Mortgage-Backed Securities	—	276	—	—	276
Total Investments in Marketable Securities and Derivative Assets	<u>\$2,138,163</u>	<u>\$ 2,163,892</u>	<u>\$ 6</u>	<u>\$ 253,181</u>	<u>\$ 4,555,242</u>
Other Investments measured at net asset value <sup>1</sup>					\$ 490,705
<u>Liabilities</u>	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Equity Securities Sold Short	\$ (193,496)	\$ —	\$ —	\$ —	\$ (193,496)
Derivative Liabilities	\$ —	\$ (66,756)	\$ —	\$ —	\$ (66,756)

<sup>1</sup> Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Balance Sheet.

Investments in equity, corporate bond, and non-US government bond funds that are measured at fair value using net asset value per share do not have any selling restrictions or redemption notice periods. As of December 31, 2024 and 2023, the Company does not have any unfunded commitments related to these investments.

The fair value measurements of the Company's Level 3 short term investments were based on unadjusted third party pricing sources. During the years ended December 31, 2024, and 2023, there were no purchases or issues of Level 3 assets or liabilities or transfers in or out of Level 3.

**4. Commitments and contingencies**

*(a) Derivative Instruments*

The Company's investment guidelines permit, subject to specific approval, investment in derivative instruments such as futures and option contracts, interest rate swaps and forward foreign currency contracts. Their use is regularly monitored and they are used for yield enhancement, duration management, interest rate and foreign currency exposure management or to obtain an exposure to a particular financial market. The Company's use of derivative instruments with embedded leverage such as futures, swaps and options contracts may increase the Company's investment risk. Credit risk arises from the potential inability of counterparties to perform under the terms of the contract. As at December 31, 2024, cash and cash equivalents in the amount of \$74.4 million (2023 - \$203.7 million) and US Treasury and Government Agency investments in the amount of \$192.4 million (2023 - \$9.1 million) was deposited with counterparties as collateral for securities sold short and positions held in derivative financial instruments.

The tables below show the fair value of the Company's derivative instruments recorded in Investments in Marketable Securities and Derivative Assets and Derivative Liabilities in the Consolidated Balance Sheet as of December 31, 2024 and 2023:

	Derivative assets	Derivative liabilities
	2024	2024
	Fair value	Fair value
	(\$'000)	(\$'000)
Interest rate swaps	\$ 136	\$ 188
Credit default swaps	—	—
Equity swaps	484	599
Fixed income and currency options	299	70
Forward foreign currency contracts	21,556	13,841
Equity futures	—	8,544
Interest rate futures	4,687	5,635
Total	<u>\$ 27,162</u>	<u>\$ 28,877</u>

  

	Derivative assets	Derivative liabilities
	2023	2023
	Fair value	Fair value
	(\$'000)	(\$'000)
Interest rate swaps	\$ 59,271	\$ 25,336
Credit default swaps	—	294
Equity swaps	294	213
Fixed income and currency options	903	2,226
Forward foreign currency contracts	4,512	17,869
Equity futures	6,578	—
Interest rate futures	18,898	20,818
Total	<u>\$ 90,456</u>	<u>\$ 66,756</u>

**EVEREN LIMITED**

## Notes to Consolidated Financial Statements

December 31, 2024 and 2023

**4. Commitments and contingencies (continued)***(a) Derivative Instruments (continued)*

The tables below show the net gains and losses on the Company's derivative instruments recorded in the net gains (losses) on investments in the Consolidated Statement of Operations during the year ended December 31, 2024 and 2023:

2024			
	Net realized gains and (losses) (\$'000)	Change in unrealized gains and (losses) (\$'000)	Net gains and (losses) (\$'000)
Interest rate swaps	\$ 2,802	\$ (33,987)	\$ (31,185)
Credit default swaps	—	294	294
Equity swaps	—	(196)	(196)
Fixed income and currency options	2,335	1,552	3,887
Forward foreign currency contracts	22,683	21,072	43,755
Equity futures	40,793	(15,122)	25,671
Interest rate futures	2,624	972	3,596
Total	\$ 71,237	\$ (25,415)	\$ 45,822

  

2023			
	Net realized gains and (losses) (\$'000)	Change in unrealized gains and (losses) (\$'000)	Net gains and (losses) (\$'000)
Interest rate swaps	\$ (68)	\$ 46,582	\$ 46,514
Credit default swaps	—	(231)	(231)
Equity swaps	—	(3,602)	(3,602)
Fixed income and currency options	1,232	(272)	960
Forward foreign currency contracts	(13)	9,587	9,574
Equity futures	5,881	7,420	13,301
Interest rate futures	1,298	(2,036)	(738)
Total	\$ 8,330	\$ 57,448	\$ 65,778

*(i) Foreign currency exposure management*

A forward foreign currency contract is a commitment to purchase or sell a foreign currency at a future date, at a negotiated rate. The unrealized gain or loss on open forward contracts represents the Company's net equity therein and is calculated as the difference between the contract date rate and the applicable forward rate at the reporting date as reported in published sources, applied to the face amount of the contract. The unrealized gain or loss at the reporting date is included in investments in marketable securities and derivative assets, net and derivative liabilities, net in the Consolidated Balance Sheet. The Company utilizes forward foreign currency contracts to manage the impact of fluctuations in foreign currencies on the value of its foreign currency denominated investments.

**EVEREN LIMITED**

## Notes to Consolidated Financial Statements

December 31, 2024 and 2023

**4. Commitments and contingencies (continued)***(a) Derivative Instruments (continued)**(i) Foreign currency exposure management (continued)*

Forward foreign currency contracts expose the Company to credit, market and liquidity risks. The Company is exposed to market risk to the extent that adverse changes occur in the exchange rate of the underlying foreign currency. This market risk is in excess of the amounts recognized in the Consolidated Balance Sheet. Liquidity risk represents the possibility that the Company may not be able to rapidly adjust the size of its forward positions in times of high volatility and financial stress at a reasonable price. The Company's investment guidelines only permit the use of counterparties carrying a credit rating of A3 or higher by the major rating agencies.

The Company considers the notional amounts in the table below at December 31, 2024 and 2023, to be representative of the volume of its activities in forward foreign currency contracts:

Currency	2024		2023	
	Notional receivable	Notional payable	Notional receivable	Notional payable
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
AUD	22,069	(25,190)	15,701	(13,240)
BRL	4,600	(4,600)	3,585	—
CAD	44,672	(40,287)	12,935	(24,312)
CHF	18,223	(14,704)	8,433	(19,796)
CLP	399	(399)	—	—
CNH	25,135	(25,136)	1,757	(18,285)
CNY	112,500	(112,528)	731	(54,843)
CZK	3,146	(3,146)	—	(614)
DKK	12,702	(13,943)	434	(50,340)
EUR	303,640	(366,878)	26,551	(245,662)
GBP	56,535	(84,501)	14,014	(96,082)
HKD	169	(6,833)	1,505	(284)
IDR	10,372	(10,355)	2,289	(583)
INR	18,243	(18,215)	6,933	(3,025)
JPY	74,985	(70,490)	21,101	(199,567)
KRW	40,240	(40,680)	585	(7,958)
MXN	15,242	(15,187)	4,466	(2,042)
NOK	3,471	(7,836)	10,584	(3,402)
NZD	4,154	(3,336)	568	(2,220)
PLN	16,099	(16,069)	4,188	(873)
SEK	8,239	(9,130)	14,826	(6,852)
SGD	7,112	(5,534)	2,161	(1,123)
TRY	264	(264)	250	—
TWD	15,101	(15,116)	5,261	(6,022)
ZAR	10,183	(10,189)	775	(774)
USD	960,373	(857,334)	728,457	(140,933)
Other	21,639	(23,912)	2,058	(4,673)
	<u>\$ 1,809,507</u>	<u>\$ (1,801,792)</u>	<u>\$ 890,148</u>	<u>\$ (903,505)</u>

**4. Commitments and contingencies (continued)**

*(a) Derivative Instruments (continued)*

*(i) Foreign currency exposure management (continued)*

At December 31, 2024, unrealized gains of \$21.6 million (2023 - \$4.5 million) and unrealized losses of \$13.8 million (2023 - \$17.9 million) on forward foreign currency contracts are included in investments in marketable securities and derivative assets and derivative liabilities in the Consolidated Balance Sheet.

*(ii) Duration management, interest rate management and market exposure management*

**Futures**

A portion of the Company's portfolio is invested in bond, note, money market, equity index and interest rate futures contracts. Such futures provide the Company with participation in market movements, determined by the underlying instrument or index on which the futures contract is based, without holding the instrument itself or the individual bonds or stocks in that index. This approach allows the Company more efficient and less costly access to bond and stock market exposure than would be available by the exclusive use of individual bonds and stocks. Exchange-traded bond and note futures contracts may also be used in the investment portfolios as substitutes for ownership of the physical bonds and notes.

All financial futures contracts are held on a non-leveraged basis, fully backed at all times by investments and cash equivalents that are posted as margin collateral. The unrealized gain or loss on financial futures contracts is calculated as the difference between the contract price on the trade date and the contract's closing price on the valuation date as reported on the exchange on which the futures contracts are traded.

When entering a financial futures contract, the Company is required to provide initial margin which is a deposit of either cash or securities in an amount equal to a certain percentage of the contract value. The initial margin is adjusted to reflect changes in the value of the futures contract which are marked to market on a daily basis. The Company recognizes a realized gain or loss when the contract is closed. Futures contracts expose the Company to market and liquidity risks. The Company is exposed to market risk to the extent that adverse changes occur in the market values of the underlying securities or indices. This market risk is in excess of the amount recognized in the Balance Sheet. Liquidity risk represents the possibility that the Company may not be able to rapidly adjust the size of its futures positions in times of high volatility and financial stress at a reasonable price. Exchange-traded futures are subject, however, to a number of safeguards to ensure that obligations are met, including the use of clearing houses, the posting of margins and the daily settlement of futures profits and losses and the amount of credit risk is therefore considered low.

The Company considers the notional amounts in the table below at December 31, 2024 and 2023, to be representative of the volume of its derivative activities in financial futures contracts:

	2024		2023	
	Long (\$'000)	Short (\$'000)	Long (\$'000)	Short (\$'000)
Equity index futures contracts	\$ 247,062	\$ —	\$ 194,493	\$ —
Interest rate futures contracts	1,115,905	(366,765)	1,341,110	(1,019,641)

The Company had gross gains of \$4.7 million and gross losses of \$14.2 million on open futures contracts for the year ended December 31, 2024 (2023 - gross gains of \$25.5 million and gross losses of \$20.8 million). These gains and losses are included in the Consolidated Statement of Operations.

**4. Commitments and contingencies (continued)**

*(a) Derivative Instruments (continued)*

*(ii) Duration management, interest rate management and market exposure management (continued)*

**Futures (continued)**

The Company holds a margin account with its futures broker for the purposes of paying and receiving cash in connection with its futures transactions. Gains and losses are settled daily in cash in this margin account.

**Swaps and options**

In order to manage interest rate exposure, portfolio duration or capitalize on anticipated changes in interest rate volatility, the Company may engage in interest rate swap transactions, buy and sell call and put options and write call and put options if the options are secured by holdings in the underlying securities or by other means which would permit immediate satisfaction of the Company's obligation as a writer of the option contracts.

Swaps and option contracts are marked to market daily with unrealized gains and losses recorded in the Consolidated Statement of Operations.

At December 31, 2024 and 2023 the fair value of open interest rate swap contracts is:

	2024 (\$'000)	2023 (\$'000)
Interest rate swaps, net	\$ (52)	\$ 33,935

Interest rate swap agreements involve the exchange by the Company with another party of their respective commitments to pay or receive interest (e.g. an exchange of floating rate payments for fixed rate payments) with respect to a notional amount of principal. Entering into these agreements involves to varying degrees, elements of credit and market risk in excess of the amounts recognized in the Consolidated Balance Sheet. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreements may default on its obligation to perform, or that there may be unfavorable changes in interest rates.

At December 31, 2024 and 2023 the fair value of open fixed income and currency option contracts is:

	2024 (\$'000)	2023 (\$'000)
Options purchased	\$ 299	\$ 903
Options written (liability)	(70)	(2,226)

Premiums received for open written options as of December 31, 2024, amounted to \$0.1 million (2023 - \$1.0 million).

Option contracts provide the option purchaser with the right but not the obligation to buy or sell a financial instrument at a predetermined exercise price during a defined period. The option writer is obligated to buy or sell the item underlying the contract at a set price, if the option purchaser chooses to exercise the option. As a purchaser of an option contract, the Company is subject to credit risk since the counterparty is obligated to make payments under the terms of the option contract if the Company exercises the option and the Company is only subject to market risk to the extent of the premium paid. As a writer of an option contract, the Company is not subject to credit risk but is subject to market risk, since the Company is obligated to make payments under the terms of the option contract if exercised.



**4. Commitments and contingencies (continued)**

(a) *Derivative Instruments (continued)*

(ii) *Duration management, interest rate management and market exposure management (continued)*

**Swaps and options (continued)**

The Company uses credit default swaps as a way to manage credit risk to an individual issuer or a basket of issuers. When the Company buys protection, the Company pays a premium to the seller of the protection for the right to receive the par value of the bond in the event of default by the issuer, thereby reducing the Company's credit risk.

The Company considers the notional amounts in the table below at December 31, 2024 and 2023, to be representative of the volume of its derivative activities:

	Long Exposure Notional Amounts	Short Exposure Notional Amounts
	2024	2024
	(\$'000)	(\$'000)
Interest rate swaps	\$ 34,047	\$ (23,093)
Credit default swaps	—	0
Equity swaps	20,351	(28,248)
Fixed income and currency options	(1,016,730)	6,325

  

	Long Exposure Notional Amounts	Short Exposure Notional Amounts
	2023	2023
	(\$'000)	(\$'000)
Interest rate swaps	\$ 2,077,383	\$ (1,328,295)
Credit default swaps	—	(6,549)
Equity swaps	17,933	(21,213)
Fixed income and currency options	218,763	(423,533)

(b) *Concentrations of credit risk*

The investment portfolio is managed following prudent standards of diversification across counterparties, issuers, asset classes and geographical regions. Investments are allocated over three broad asset classes which are global equity, global fixed income and hedge funds. Investment guidelines are designed to limit the holdings of a single issue and issuer, control non-US dollar currency exposure and minimize sovereign risk. Fixed maturity securities held with maturities of longer than one year generally have a minimum investment rating of B3/B- or better and at least 85% (at fair value) generally have a minimum rating of Baa3/BBB- or better with average quality for the total portfolio of A2/A. The Company utilizes Standard & Poor's, Moody's or Fitch Investor Services. In the event of a split rating, between Standard & Poor's, Moody's and/or Fitch, the middle rating shall be used; when a rating from only two agencies is available the lower rating is used; when only one agency rates a bond that rating shall be used. If a security is not rated by Standard & Poor's or Moody's Investors Services, the equivalent implied rating as determined by the investment manager is utilized. Commercial Paper must carry a rating of A2/P2/F2 or better. Commercial paper rated below A1/P1/F1 must not exceed 20% of the market value of the portfolio.

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**4. Commitments and contingencies (continued)***(b) Concentrations of credit risk (continued)*

The Company's maximum permitted fixed income investment in any one institution is 10% of the market value of the global fixed income portfolio with the exception of securities which are rated AA-/Aa3 or higher and issued or guaranteed by the US Treasury, US government agencies, or the Government of Canada, Japan, Australia, the United Kingdom or EMU countries. The maximum investment in any outstanding single issue shall not exceed 5% except for the issuers listed above. Commercial Paper shall be exempt from this 5% limit in any outstanding single issue, but still be subject to aggregate issuer limits. The aggregate maximum permitted fixed income investment in any obligations rated A-2, P-2, BBB- or Baa3 or below shall not exceed 5% of the market value of the global fixed income portfolio. The Company believes that there are no significant concentrations of credit risk associated with its investments in any issuer or market.

*(c) Prime brokers*

One large investment bank (the "Prime Broker") has been appointed as the Company's Prime Broker. Under the Customer Prime Broker Account Agreements, as of December 31, 2024, \$249.6 million (2023 - \$194.9 million) of the assets of the Company are held by the Prime Broker and each of the Prime Broker's affiliated companies are subject to a general lien and a continuing first priority perfected security interest in favor of the Prime Broker and therefore constitute collateral security for the Company's obligations and liabilities to the Prime Broker. The Prime Broker has a long term credit rating of A+ as issued by Standard and Poor's.

*(d) Use of short selling*

As part of the Company's overall investment strategy it allocates certain funds to long/short portfolios that are managed using a market neutral investment strategy. The market neutral investment strategy will typically hold short equity positions in the same and/or related sectors as the strategy's long positions to limit exposure to market events and to reduce the Company's investment risk within the strategy.

*(e) Outstanding litigation*

From time to time the Company is party to lawsuits and arbitration proceedings arising in the normal course of business. The Company believes the resolution of these proceedings will not have a material adverse effect on its financial condition.

**5. Outstanding losses and loss expenses**

The Company's reserve for outstanding losses and loss expenses represents the estimated amount necessary to settle all outstanding claims, including claims which have been incurred but not reported, as of the balance sheet date. The reserve is provided on the basis of current estimates made by the Company's claims personnel, independent actuarial consultants, independent loss adjusters and legal counsel. The reserve is based on a detailed analysis of the facts in each case and historical claims development patterns including claim payment patterns, pending levels of unpaid claims and the regulatory and legal environment.

Due to the nature of the risks insured and the levels of coverage provided by the Company, significant delays can be experienced in the settlement of claims. Accordingly, a substantial degree of judgment is involved in assessing the ultimate cost of losses incurred.

A summary of changes in outstanding losses and loss expenses for 2024 and 2023 is as follows:

	2024 (\$'000)	2023 (\$'000)
Balance at January 1	\$ 1,603,444	\$ 2,096,717
Incurred losses related to:		
Current year	461,169	541,719
Prior years	(304,957)	(150,764)
Total incurred	156,212	390,955
Paid losses related to:		
Current year	(10,107)	(25,030)
Prior years	(308,803)	(859,198)
Total paid	(318,910)	(884,228)
Balance at December 31	\$ 1,440,746	\$ 1,603,444

The 2024 current year incurred losses of approximately \$461.2 million primarily relate to: (i) case reserves recorded totaling \$106.7 million relating to specific property and pollution incidents incurred during the year; (ii) the establishment of IBNR totaling \$348.5 million for the 2024 underwriting year; and (iii) loss expenses incurred totaling \$6.0 million.

The 2024 reduction in incurred losses for prior years claims of approximately \$305.0 million primarily relates to: (i) favorable development of \$299.5 million due to adjustments in ultimate loss ratios and favorable case reserve development relating to specific property and pollution incidents incurred during prior years based upon updated information received from insureds and loss adjusters and (ii) favorable development of loss expenses incurred totaling \$5.5 million.

The 2023 current year incurred losses of approximately \$541.7 million primarily relate to: (i) case reserves recorded totaling \$236.8 million relating to specific property and pollution incidents incurred during the year; (ii) the establishment of IBNR totaling \$298.7 million for the 2023 underwriting year; and (iii) loss expenses incurred totaling \$6.2 million.

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**5. Outstanding losses and loss expenses (continued)**

The 2023 reduction in incurred losses for prior years claims of approximately \$150.8 million primarily relates to: (i) favorable development of \$145.4 million due to adjustments in ultimate loss ratios and favorable case reserve development relating to specific property and pollution incidents incurred during prior years based upon updated information received from insureds and loss adjusters and (ii) favorable development of loss expenses incurred totaling \$5.4 million.

For catastrophic events there is a high degree of uncertainty and subjectivity underlying the assumptions and associated estimated reserves for losses and loss adjustment expenses. Reserves are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Due to the nature and levels of the coverage provided by the Company these adjustments can be material. Additionally, the complexity resulting from matters such as policy coverage issues, multiple events affecting one geographic area and the resulting impact on the quantification of claims (including the allocation of claims to specific events and the effect of demand surge on the cost of building materials and labor) can cause delays in the timing of claim notifications and changes to loss estimates.

The Company insures its policyholders against certain pollution liabilities caused by occurrences which commenced at or after the inception of a member's first policy, which for initial policyholders was January 1, 1972. The Company's pollution exposure typically involves potential liabilities for the mitigation or remediation of environmental contamination, personal injury or property damage caused by the release of hazardous substances into the land, air or water. The Company is exposed to claims arising from its members' use and storage of Methyl Tertiary Butyl Ether ("MTBE") as a gasoline additive and its potential environmental impact through alleged seepage into groundwater. Additional claims related to the use of MTBE may be filed in the future. There are many uncertainties regarding both the magnitude of exposures of the Company's insureds to the claimants and how the coverage under policies issued by the Company would apply to liabilities of its policyholders.

The Company's reserve for losses incurred but not reported relating to pollution liabilities has been established in accordance with generally accepted accounting principles for loss contingencies. There are significant uncertainties involved in estimating the Company's ultimate liability for pollution claims. These uncertainties include, amongst others, (i) potentially long latency periods, (ii) difficulty in establishing the commencement date of the pollution, (iii) delays in the reporting of claims, (iv) the uncertainty regarding the extent of the underlying and/or other insurance coverages, which may respond before the Company's coverage, and (v) the future outcome of litigation that is currently in process and the potential that exists for punitive and compensatory awards. To assist in determining this reserve, management has obtained the advice of independent claims consultants and actuaries who annually establish an estimate of the Company's ultimate pollution liabilities based on actuarial modeling techniques.

Because of the variability and uncertainty inherent in the pollution claim evaluation, reserving and settlement processes, the reserves established by the Company represents management's best estimate at the balance sheet date based on current information but, such claims may ultimately settle for a significantly greater or lesser amount. Such adjustments to reserves could be material to the Company.

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**5. Outstanding losses and loss expenses (continued)****Short duration contract disclosures**

The Company has disaggregated its information presented in the tables below by line of business as appropriate for property and pollution segments, including cumulative incurred and paid losses and allocated loss adjustment expenses, as well as the corresponding amount of IBNR reserves as of December 31, 2024. The level of disaggregation is consistent with how the Company analyzes loss reserves for both internal and external reporting purposes.

Some of the information provided in the following tables is Required Supplementary Information (“RSI”) under U.S. GAAP. Therefore, it does not form part of these consolidated financial statements. Claims development information for all periods except the current reporting period and any information derived from it, including average annual percentage payout of claims incurred, is considered RSI.

**Property**

The property loss development tables have been produced for accident years 2015 through to 2024. For the property segment, the years presented in the tables comprise the majority of the period for which incurred losses typically remain outstanding. The tables below also include claim frequency information, by accident year. The Company defines a single claim incident, per policy, which may include multiple claimants and multiple coverages on a single policy. Claims counts include claims closed without a payment as well as claims where the Company is monitoring to determine if exposure exists, even if a reserve has not been established.

**EVEREN LIMITED**

## Notes to Consolidated Financial Statements

December 31, 2024 and 2023

**5. Outstanding losses and loss expenses (continued)**

Incurred losses and loss expenses (\$'000)											December 31, 2024	
Years ended December 31,												
Unaudited												
Accident Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total of IBNR reserves, net of reinsurance	Cumulative reported claims count
2015	662,985	556,569	409,511	404,400	393,770	389,106	371,244	458,905	457,848	492,793	—	43
2016		453,464	478,561	490,671	490,384	487,944	465,405	464,013	463,086	462,162	—	29
2017			467,782	444,512	408,624	418,142	307,330	324,802	282,520	282,002	10,951	31
2018				776,505	798,756	756,932	752,414	641,094	639,106	668,039	2,664	31
2019					203,787	163,456	113,921	113,354	112,790	112,063	781	19
2020						592,058	368,503	303,074	309,484	279,481	1,073	28
2021							773,267	514,676	567,686	578,699	8,828	34
2022								337,474	259,739	197,192	4,282	21
2023									464,576	275,927	19,857	32
2024										388,407	281,677	30
Total										<u>\$ 3,736,765</u>		
Cumulative Paid Losses and Loss Expenses (\$'000)												
Years Ended December 31,												
Unaudited												
Accident Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024		
2015	49,950	140,035	314,179	317,120	295,894	300,563	291,423	407,773	407,773	407,773		
2016		1,300	52,275	114,269	342,953	392,554	432,050	432,050	440,575	440,576		
2017			95,011	175,742	241,405	248,134	271,051	271,051	271,051	271,051		
2018				78,819	253,430	368,799	579,152	614,312	620,918	640,472		
2019					—	79,943	111,447	111,447	111,447	111,282		
2020						33,663	138,181	206,730	250,082	272,924		
2021							83,484	217,770	404,481	480,249		
2022								—	45,868	170,810		
2023									25,000	74,700		
2024										10,000		
Total										<u>2,879,837</u>		
Reserves for outstanding losses and loss expenses, before 2015										53,317		
Reserves for outstanding losses and loss expenses										<u>\$ 910,245</u>		

**EVEREN LIMITED**

## Notes to Consolidated Financial Statements

December 31, 2024 and 2023

**5. Outstanding losses and loss expenses (continued)**
**Pollution**

The pollution loss development tables have been produced for accident years 2015 through to 2024. The tables below also include claim frequency information, by accident year. The Company defines a single claim incident, per policy, which may include multiple claimants and multiple coverages on a single policy. Claims counts include claims closed without a payment as well as claims where the Company is monitoring to determine if exposure exists, even if a reserve has not been established.

Incurred losses and loss expenses (\$'000)											December 31, 2024	
Years ended December 31,												
Unaudited												
Accident year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total of IBNR reserves, net of reinsurance	Cumulative reported claims count
2015	115,961	392,403	411,913	388,133	382,211	373,208	385,964	388,029	385,327	380,932	14,767	17
2016		64,444	53,680	47,867	43,461	36,941	32,877	22,255	19,172	15,610	15,610	13
2017			63,122	102,113	79,544	74,729	69,862	70,775	67,611	62,580	19,369	18
2018				57,590	43,196	40,606	44,237	39,258	30,523	27,782	20,174	21
2019					81,582	65,510	60,261	61,716	56,425	50,733	25,000	20
2020						51,046	39,220	42,518	35,253	28,721	28,721	10
2021							51,561	53,065	205,864	183,959	34,062	7
2022								752,880	562,023	550,829	42,567	13
2023									70,976	53,895	52,695	15
2024										66,786	66,786	22
Total										\$ 1,421,827		

  

Cumulative Paid Losses and Loss Expenses (\$'000)												
Years Ended December 31,												
Unaudited												
Accident year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024		
2015	—	34,314	107,049	180,292	245,362	257,669	276,702	365,785	365,785	365,785		
2016		—	—	—	—	—	—	—	—	—		
2017			—	27,898	39,477	40,083	40,365	40,794	41,132	41,389		
2018				—	—	—	—	—	1,789	1,789		
2019					—	25,708	25,733	25,733	25,733	25,733		
2020						—	—	—	—	—		
2021							—	—	154,609	147,589		
2022								—	407,550	427,500		
2023									—	—		
2024										—		
Total										1,009,785		
Reserves for outstanding losses and loss expenses, before 2015										101,961		
Reserves for outstanding losses and loss expenses										\$ 514,003		

5. **Outstanding losses and loss expenses** (continued)

**Reconciliation of loss development information to the reserves for losses and loss expenses**

The table below reconciles the net incurred and paid loss development tables, by segment, to the Company's outstanding losses and loss expenses in the Consolidated Balance Sheets as at December 31, 2024:

(\$'000s)	<u>December 31, 2024</u>
<b>Outstanding losses and loss expenses</b>	
Property	\$ 910,245
Pollution	514,003
Total outstanding losses and loss expenses	<u>1,424,248</u>
Unallocated loss adjustment expenses	16,498
<b>Total outstanding losses and loss expenses</b>	<u>\$ 1,440,746</u>

The following table presents supplementary information about average historical claims duration as of December 31, 2024 based on cumulative incurred and paid losses and allocated loss adjustment expenses presented above.

Unaudited	Average Annual Percentage Payout of Incurred Losses by Age (in years)									
	1	2	3	4	5	6	7	8	9	10
Property	9.4%	28.6%	29.7%	16.1%	4.7%	2.1%	0.3%	8.5%	0.0%	0.0%
Pollution	0.0%	19.8%	15.7%	2.3%	2.9%	2.1%	1.4%	7.9%	0.0%	0.0%

6. **Common shares**

	<u>2024</u>	<u>2023</u>
Authorized		
200 Class A shares of par value \$10,000 each	\$ 2,000,000	\$ 2,000,000
Issued and fully paid		
72 (2023 - 67) Class A shares	\$ 720,000	\$ 670,000

Each shareholder has one vote for each paid up Class A share together with an additional vote for each \$10,000 of cumulative premium as defined in the shareholders' agreement, subject to a maximum of 9.5% of total voting rights.

The shareholders' agreement provides for distribution of dividends, as and when declared by the Company's directors, and distribution of the Company's net assets upon dissolution in the same proportion as the voting rights, excluding the 9.5% limitation. Commencing January 1, 1987, the shareholders' agreement restricts the amount available for the payment of dividends to the Company's cumulative net income less any paid dividends after that date. During the year ended December 31, 2024, the Company declared and paid dividends totaling \$350.0 million (2023 - \$200.0 million) to its common shareholders.

7. **Related party transactions**

- (a) General and administrative expenses represent direct expenditures incurred by the Company and expenses which have been allocated from EMSL. EMSL has a service agreement with Everen Specialty Ltd ("ESL") and subsidiaries, companies affiliated through common shareholders, pursuant to which EMSL provides certain personnel, IT, legal and compliance, financial management, and other services. For the year ended December 31, 2024, EMSL invoiced ESL \$20.2 million (2023 - \$19.4 million) in relation to the service agreement. These expenses are included on a net basis in the Consolidated Statement of Operations.
- (b) Amounts due from and to companies affiliated through common shareholders are unsecured, interest free and repayable on demand. These balances result from transactions conducted in the normal course of business. Included in amounts due from affiliates is \$2.7 million (2023 - \$3.2 million) receivable to EMSL in relation to the service agreement.



**8. Taxation**

Under current Bermuda law, the Company is not obligated to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda pursuant to the provisions of the Exempted Undertakings Tax Protection Act 1966 (the "Act") which exempts the Company from any such taxes, at least until March 31, 2035.

The Government of Bermuda enacted the Corporate Income Tax Act 2023 (the "Bermuda CIT") on December 27, 2023 with an effective date of January 1, 2025. The Company is not presently in scope of the requirements since the Bermuda CIT is applicable only to multinational enterprise groups with annual revenues of EUR 750 million or more.

For the years ended December 31, 2024 and 2023, the Company did not record any unrecognized tax benefits or expenses. The Company has not recorded any interest or penalties during the years ended December 31, 2024 and 2023.

**9. Regulation**

The Company is required by its license to maintain capital and surplus greater than a minimum statutory amount determined as the greater of a percentage of outstanding losses or a given fraction of net written premiums.

The following tables present the reconciliation of the Company's U.S. GAAP shareholders' equity to statutory capital and surplus, and the corresponding minimum capital adequacy levels as at December 31, 2024 and 2023:

	2024 (\$'000)	2023 (\$'000)
U.S. GAAP Shareholders' Equity	\$ 3,917,560	\$ 3,595,192
Plus: Theoretical withdrawal premium	832,213	1,053,581
Less: Non-admitted assets	<u>(1,911)</u>	<u>(2,021)</u>
Statutory Capital and Surplus	<u>\$ 4,747,862</u>	<u>\$ 4,646,752</u>
Minimum required statutory capital and Surplus	<u>\$ 144,075</u>	<u>\$ 160,344</u>

Non-admitted assets for statutory purposes include fixed assets and prepaid assets.

Under the terms of the Rating and Premium Plan, all members are charged a withdrawal premium upon their withdrawal from the Company. The Company has received permission from the Bermuda Monetary Authority ("BMA") to record the estimated amount of the theoretical withdrawal premium ("TWP") due from existing members who have not elected to withdraw or redeem their shares in the Company as statutory capital and surplus. As of December 31, 2024, the Company has included the discounted value of the TWP from current shareholders that are rated BBB- or higher by Standard and Poor's, totaling \$832.2 million (2023 - \$1.1 billion), in the calculation of statutory capital and surplus.

The Company is also required to maintain a minimum liquidity ratio whereby the value of its relevant assets is not less than 75% of the amounts of its relevant liabilities. At December 31, 2024 the Company is required to maintain relevant assets of at least \$1.1 billion (2023 - \$1.2 billion). At December 31, 2024 and 2023, the Company met the minimum liquidity ratio.

Class 2 insurers must obtain BMA approval prior to any reduction of prior year total statutory capital of 15% or more.

## EVEREN LIMITED

### Notes to Consolidated Financial Statements

December 31, 2024 and 2023

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#### **10. Subsequent events**

Subsequent events have been evaluated through February 24, 2025, which is the date the financial statements were available to be issued.