

**National General Insurance, Ltd.**  
Consolidated Financial Statements  
Years Ended December 31, 2023 and 2022

# National General Insurance, Ltd.

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors of National General Insurance, Ltd.

### Opinion

We have audited the consolidated financial statements of National General Insurance, Ltd. and subsidiaries (the "Company"), which comprise the consolidated statements of financial position, as of December 31, 2023 and 2022 and the related consolidated statements of income and comprehensive income (loss), consolidated statements of shareholders' equity, and consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements (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 as of December 31, 2023 and 2022 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 from 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 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 from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material

if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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**

Accounting principles generally accepted in the United States of America require that the incurred loss and paid claims development prior to the most recent year and average annual percentage payout of incurred claims disclosed in footnote 6 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 financial statements, and other knowledge we obtained during our audit of the basic 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.

*Deloitte and Touche LLP*

April 29, 2024

**NATIONAL GENERAL INSURANCE, LTD.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(In Thousands, Except Shares and Per Share Data)

	December 31,	
	2023	2022
<b>ASSETS</b>		
<b>Investments:</b>		
Fixed income securities, at fair value (amortized cost of \$282,228 and \$293,320)	273,107	\$ 273,377
Short-term, at fair value (amortized cost of \$26,883 and \$8,862)	26,884	8,862
Limited partnership interests	1,154	1,441
<b>Total investments</b>	301,145	283,680
Cash	3,961	1,579
Premiums receivables (related parties)	52,611	66,469
Deferred policy acquisition costs	10,395	13,306
Accrued investment income	2,189	1,794
Intangible assets	60	60
Other assets, net (related parties \$0 and \$7,099)	—	7,109
<b>Total assets</b>	\$ 370,361	\$ 373,997
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Reserve for property and casualty insurance claims and claims expense	16,276	\$ 29,399
Unearned premiums	31,984	40,942
Deferred income taxes	—	11
Commission payable (related parties)	17,098	21,602
Other liabilities and accrued expenses (related parties \$8,582 and \$12,765)	8,357	13,033
<b>Total liabilities</b>	\$ 73,715	\$ 104,987
<b>Commitments and contingencies (Note 10)</b>		
<b>Shareholders' Equity:</b>		
Common stock, \$1 par value, 120,000 shares authorized, issued and outstanding (2023 and 2022)	120	\$ 120
Additional capital paid-in	241,787	241,787
Retained income	63,859	47,057
Accumulated other comprehensive income:		
Unrealized net capital gains and (losses)	(9,120)	(19,954)
Total accumulated other comprehensive income (loss) ("AOCI")	(9,120)	(19,954)
<b>Total National General Insurance, Ltd. stockholders' equity</b>	296,646	269,010
<b>Total shareholders' equity</b>	\$ 296,646	\$ 269,010
<b>Total liabilities and shareholders' equity</b>	\$ 370,361	\$ 373,997

*See accompanying notes to consolidated financial statements*

**NATIONAL GENERAL INSURANCE, LTD.**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)**  
(In Thousands)

	<b>Year Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Revenues:</b>		
Net earned premium	\$ 98,787	\$ 90,823
Net investment income	8,789	4,304
Net gains (losses) on investments	(3,786)	(18,098)
Service and fee income	15,155	24,906
<b>Total revenues</b>	<b>118,945</b>	<b>101,935</b>
<b>Expenses:</b>		
Loss and loss adjustment expense	69,648	60,920
Commission and other acquisition expenses	30,977	29,517
General and administrative expenses	1,518	1,285
<b>Total expenses</b>	<b>102,143</b>	<b>91,722</b>
<b>Income before income taxes</b>	<b>16,802</b>	<b>10,213</b>
Income tax expense	—	—
<b>Net income</b>	<b>\$ 16,802</b>	<b>\$ 10,213</b>
<b>Other comprehensive income (loss)</b>		
Unrealized loss on investments, net of tax benefit (expense) of \$0 and \$0	10,834	(17,610)
<b>Total other comprehensive income (loss)</b>	<b>10,834</b>	<b>(17,610)</b>
<b>Comprehensive income (loss)</b>	<b>\$ 27,636</b>	<b>\$ (7,397)</b>

*See accompanying notes to consolidated financial statements*

**NATIONAL GENERAL INSURANCE, LTD.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(In Thousands)

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
<b>Balance January 1, 2022</b>	\$ 120	\$ 241,850	\$ (2,344)	\$ 36,781	\$ 276,407
Net income	—	—	—	10,213	10,213
Net change in unrealized losses, net of tax benefit of \$0	—	—	(17,610)	—	(17,610)
<b>Prior year reclass</b>	\$ —	\$ (63)	\$ —	\$ 63	\$ —
<b>Balance December 31, 2022</b>	\$ 120	\$ 241,787	\$ (19,954)	\$ 47,057	\$ 269,010
Net income	—	—	—	16,802	16,802
Net change in unrealized losses, net of tax expense of \$0	—	—	10,834	—	10,834
<b>Balance December 31, 2023</b>	<u>\$ 120</u>	<u>\$ 241,787</u>	<u>\$ (9,120)</u>	<u>\$ 63,859</u>	<u>\$ 296,646</u>

*See accompanying notes to consolidated financial statements*

**NATIONAL GENERAL INSURANCE, LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Thousands)

	<b>Year Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 16,802	\$ 10,213
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Equity in net income of subsidiaries	(20)	2,370
Net (gain) loss on investments	3,786	18,098
Depreciation, amortization and other non-cash items	212	372
Changes in assets and liabilities:		
Accrued investment income	(395)	(778)
Premiums receivables	13,858	(14,505)
Deferred policy acquisition costs	2,912	(3,119)
Other assets	7,109	(1,042)
Reserve for property and casualty insurance claims and claims expense	(13,123)	12,315
Unearned premiums	(8,959)	9,597
Income taxes	(12)	635
Commission payable	(4,504)	4,714
Other liabilities	(4,676)	(6,260)
<b>Net cash provided by operating activities</b>	<b>12,990</b>	<b>32,610</b>
<b>Cash flows from investing activities:</b>		
Purchases of:		
Fixed income securities	(123,217)	(154,884)
Proceeds from sales:		
Fixed income securities	126,751	88,914
Equity securities	—	969
Limited partnership interests	306	14,626
Investment collections		
Fixed income securities	3,156	24
Change in short-term and other investments, net	(17,604)	17,329
<b>Net cash used in investing activities</b>	<b>\$ (10,608)</b>	<b>\$ (33,022)</b>

*See accompanying notes to consolidated financial statements*



**NATIONAL GENERAL INSURANCE, LTD.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(In Thousands)

	Year Ended December 31,	
	2023	2022
<b>Cash flows from financing activities:</b>		
Net cash used in financing activities	—	—
Net decrease in cash	2,382	(412)
Cash at the beginning of year	1,579	1,991
Cash at the end of year	\$ 3,961	\$ 1,579
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for income taxes	\$ —	\$ —

*See accompanying notes to consolidated financial statements*

**NATIONAL GENERAL INSURANCE, LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(In Thousands, Except Shares and Per Share Data)**

## **1. Organization and Acquisition**

National General Insurance, Ltd. (the “Company”) (formerly: National General Insurance Holdings, Ltd.) was incorporated under the laws of Bermuda on December 11, 2018, as a Bermuda exempt Company limited by shares. Effective May 18, 2020 the Company was registered as a Class 3A insurer under the Bermuda Assurance Act, 1978 and related regulations as amended.

The Company was already capitalized with a) \$10 of paid up share capital, b) \$198,090 of contributed surplus and c) \$43,405 of retained earnings. The contributed surplus was made up of the transfer of the Luxembourg subsidiaries as well as a transfer of loan from National General Holdings Luxembourg S.a.r.l (“NGHL”). The retained earnings was made up of NGHL and National General Holdings Bermuda, Ltd.'s investment in subsidiary revaluation. The company increased the paid up share capital to \$120 as required for a class 3A insurer pursuant to section 7(1)(a) of the Insurance Act.

The company's license authorizing it to write insurance business was issued by the Bermuda Monetary Authority on May 18, 2020. The Company is an indirect wholly-owned subsidiary of The Allstate Corporation (“Allstate”). The Company's direct holding company is National General Re Ltd. (“NGRE”) a class 3A affiliated insurer. The Company has a 6% auto physical damage, no-fault, personal injury protection and liability quota share reinsurance contract with NGRE. In addition the Company agrees to reinsure the excess liability which may accrue to Allstate Insurance Company of Canada (“AICC”).

For the year ended December 31, 2023 the Company had two subsidiaries:

<u>Entity Name</u>	<u>Jurisdiction of Incorporation or Formation</u>
American Capital Acquisition Investments S.A	Luxembourg <sup>1</sup>
National General Insurance Management Ltd.	Bermuda

<sup>1</sup>American Capital Acquisition Investments S.A. was liquidated on December 18, 2023.

## **2. Significant Accounting Policies**

### *Basis of Presentation*

The accompanying consolidated financial statements includes the accounts of the Company and its wholly owned subsidiaries. These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). All significant intercompany accounts and transactions have been eliminated. Certain amounts have been reclassified to conform to current year presentation.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

### *The Novel Coronavirus Pandemic (“Coronavirus”)*

A large-scale pandemic, such as the Coronavirus and its impacts, may result in loss of life, property damage, and disruptions to commerce and reduced economic activity. Some of the assets in our investment portfolio may be adversely affected by declines in the equity markets, changes in interest rates, reduced liquidity and economic activity caused by a large-scale pandemic. Additionally, a large-scale pandemic could have a material effect on sales, liquidity and operating results.

While most of the risks related to the Coronavirus have moderated, some longer-term impacts remain, such as supply chain disruptions, labor shortages, and other macroeconomic factors that have increased inflation and asset

**NATIONAL GENERAL INSURANCE, LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(In Thousands, Except Shares and Per Share Data)**

values. These factors have affected our operations and may continue to significantly affect our results of operations, financial condition and liquidity and should be considered when comparing the current period to prior periods.

*Summary of Significant Accounting Policies*

*Premiums Receivables*

The Company recognizes earned premium on a pro rata basis over the terms of the policies, generally periods of six or twelve months. Unearned premiums represent the portion of premiums written applicable to the unexpired terms of the policies.

Premiums receivables represent affiliated premiums written and not yet collected. Premiums receivables are with entities under control and are exempt from allowance for credit loss evaluation.

*Deferred Acquisition Costs*

Costs that are related directly to the successful acquisition of new or renewal policies or contracts are deferred and recorded as deferred acquisition costs ("DAC"). These costs are principally agent and broker remuneration, premium taxes and certain underwriting expenses. All other acquisition costs are expensed as incurred and included in operating costs and expenses.

DAC is amortized into income as premiums are earned, typically over periods of six or twelve months for the policies and is included in amortization of deferred policy acquisition costs. DAC associated with property and casualty insurance is periodically reviewed for recoverability and adjusted if necessary. Future investment income is considered in determining the recoverability of DAC.

Assumptions used in the amortization of DAC and reserve calculations are established at the time the policy is issued and are generally not revised during the life of the policy. Any deviations from projected business in force resulting from actual policy terminations differing from expected levels and any estimated premium deficiencies may result in a change to the rate of amortization in the period such events occur. Generally, the amortization periods for these policies approximates the estimated lives of the policies. The Company periodically reviews the recoverability of DAC using actual experience and current assumptions. If actual experience and current assumptions are adverse compared to the original assumptions and a premium deficiency is determined to exist, any remaining unamortized DAC balance would be expensed to the extent not recoverable and the establishment of a premium deficiency reserve may be required for any remaining deficiency.

*Reserve for property and casualty insurance claims and claims expense*

The reserve for property and casualty insurance claims and claims expense is the estimate of amounts necessary to settle all reported and unreported incurred claims for the ultimate cost of insured property and casualty losses, based upon the facts of each case and the Company's experience with similar cases. Estimated amounts of salvage and subrogation are deducted from the reserve for claims and claims expense. The establishment of appropriate reserves, including reserves for catastrophe losses, is an inherently uncertain and complex process. Reserve estimates are primarily derived using an actuarial estimation process in which historical loss patterns are applied to actual paid losses and reported losses (paid losses plus individual case reserves established by claim adjusters) for an accident or report year to create an estimate of how losses are likely to develop over time. Development factors are calculated quarterly and periodically throughout the year for data elements such as claims reported and settled, paid losses, and paid losses combined with case reserves. The historical development patterns for these data elements are used as the assumptions to calculate reserve estimates, including the reserves for reported and unreported claims. Reserve estimates are regularly reviewed and updated, using the most current information available. Any resulting reestimates are reflected in current results of operations.

**NATIONAL GENERAL INSURANCE, LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(In Thousands of Dollars, Except Shares and Per Share Data)**

*Intangible Assets*

Intangible assets consist of capitalized costs primarily related to licenses. Licenses are considered to have an indefinite life and are reviewed for impairment at least annually or more frequently if circumstances arise that indicate an impairment may have occurred. An impairment is recognized if the carrying amount of the asset exceeds its estimated fair value.

*Investments*

Fixed income securities include bonds. Fixed income securities, which may be sold prior to their contractual maturity, are designated as available-for-sale (“AFS”) and are carried at fair value. The difference between amortized cost, net of credit loss allowances (“amortized cost, net”) and fair value, net of deferred income taxes is reflected as a component of accumulated other comprehensive income (“AOCI”). The Company excludes accrued interest receivable from the amortized cost basis of its AFS fixed income securities. Cash received from calls and make-whole payments is reflected as a component of proceeds from sales and cash received from maturities and pay-downs is reflected as a component of investment collections within the Consolidated Statements of Cash Flows.

Equity securities primarily include common stocks, exchange traded and mutual funds, non-redeemable preferred stocks and real estate investment trust equity investments. Certain exchange traded and mutual funds have fixed income securities as their underlying investments. Equity securities are carried at fair value. Equity securities without readily determinable or estimable fair values are measured using the measurement alternative, which is cost less impairment, if any, and adjustments resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer.

Investments in limited partnership interests are primarily accounted for in accordance with the equity method of accounting (“EMA”) and include interests in private equity funds. Investments in limited partnership interests purchased prior to January 1, 2018, where the Company’s interest is so minor that it exercises virtually no influence over operating and financial policies, are accounted for at fair value primarily utilizing the net asset value (“NAV”) as a practical expedient to determine fair value.

Short-term investments, including money market funds, commercial paper, U.S. Treasury bills and other short-term investments, are carried at fair value.

Investment income primarily consists of interest, dividends and income from limited partnership interests.

Interest is recognized on an accrual basis using the effective yield method and dividends are recorded at the ex-dividend date. For all others, the effective yield is generally recalculated on a prospective basis. Net investment income for AFS fixed income securities includes the impact of accreting the credit loss allowance for the time value of money. Accrual of income is suspended for fixed income securities when the timing and amount of cash flows expected to be received is not reasonably estimable. Accrual of income is suspended for mortgage loans and bank loans that are in default or when full and timely collection of principal and interest payments is not probable. Accrued income receivable is monitored for recoverability and when not expected to be collected is written off through net investment income. Cash receipts on investments on nonaccrual status are generally recorded as a reduction of amortized cost.

Income from limited partnership interests carried at fair value is recognized based upon the changes in fair value of the investee’s equity primarily determined using NAV. Income from EMA limited partnership interests is recognized based on the Company’s share of the partnerships’ earnings. Income from EMA limited partnership interests is generally recognized on a three month delay due to the availability of the related financial statements from investees.

Net gains and losses on investments and derivatives include gains and losses on investment sales, changes in the credit loss allowances related to fixed income securities, mortgage loans and bank loans, impairments, valuation

**NATIONAL GENERAL INSURANCE, LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(In Thousands, Except Shares and Per Share Data)**

changes of equity investments, including equity securities and certain limited partnerships where the underlying assets are predominately public equity securities, and periodic changes in fair value and settlements of certain derivatives, including hedge ineffectiveness. Net gains and losses on sales of investments and derivatives are determined on a specific identification basis and are net of credit losses already recognized through an allowance.

*Income Taxes*

The Company and Allstate file consolidated income tax returns. Income taxes are accounted for using the asset and liability method under which deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax bases of assets and liabilities at the enacted tax rates. The principal assets and liabilities giving rise to such differences are DAC, unearned premiums, investments (including unrealized capital gains and losses), intangible assets and insurance reserves. A deferred tax asset valuation allowance is established when it is more likely than not such assets will not be realized. The Company recognizes interest expense related to income tax matters in income tax expense and penalties in other expense.

The Company recognizes tax benefits for tax positions that are more likely than not to be sustained upon examination by taxing authorities. The Company's policy is to prospectively classify accrued interest and penalties related to any unrecognized tax benefits in its income tax provision.

*Service and Fee Income*

Service and fee income primarily consists of management fee income. Refer to related party note 9.

*Foreign Currency Remeasurement and Translation*

The local currency of the Company's foreign subsidiaries is deemed to be the functional currency of the country in which these subsidiaries operate. The financial statement of the Company's foreign subsidiaries are translated into U.S. dollars at the exchange rate in effect at the end of a reporting period for assets and liabilities and at average exchange rates during the period for results of operations.

The unrealized gains and losses from the translation of the net assets are recorded as unrealized foreign currency translation adjustments and included in AOCI. Changes in unrealized foreign currency translation adjustments are included in OCI. Gains and losses from foreign currency transactions are reported in operating costs and expenses and have not been material.

**NATIONAL GENERAL INSURANCE, LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(In Thousands, Except Shares and Per Share Data)

**3. Investments**

Portfolio composition	As of December 31,	
	2023	2022
Fixed income securities, at fair value	\$ 273,107	\$ 273,377
Short-term investments, at fair value	26,884	8,862
Limited partnership interests	1,154	1,441
Total	<b>\$ 301,145</b>	<b>\$ 283,680</b>

*(a) Amortized cost, gross unrealized gains (losses) and fair value for fixed income securities*

December 31, 2023	Amortized cost, net	Gross Unrealized		Fair value
		Gains	Losses	
U.S. government and agencies	\$ 118,974	\$ 270	\$ (2,675)	\$ 116,569
Corporate	163,254	1,221	(7,937)	156,538
Total fixed income securities	<b>\$ 282,228</b>	<b>\$ 1,491</b>	<b>\$ (10,612)</b>	<b>\$ 273,107</b>

December 31, 2022	Amortized cost, net	Gross Unrealized		Fair value
		Gains	Losses	
U.S. government and agencies	\$ 142,594	\$ 94	\$ (6,531)	\$ 136,157
Corporate	150,726	215	(13,721)	137,220
Total fixed income securities	<b>\$ 293,320</b>	<b>\$ 309</b>	<b>\$ (20,252)</b>	<b>\$ 273,377</b>

*Scheduled maturities for fixed income securities*

	As of December 31,		
	2023		
	Amortized cost, net	Unrealized G/L	Fair Value
Due in one year or less	\$ 29,693	\$ (737)	\$ 28,956
Due after one year through five years	209,003	(7,302)	201,701
Due after five years through ten years	39,135	(1,090)	38,045
Due after ten years	4,397	8	4,405
Total	<b>\$ 282,228</b>	<b>\$ (9,121)</b>	<b>\$ 273,107</b>

	As of December 31,		
	2022		
	Amortized cost, net	Unrealized G/L	Fair Value
Due in one year or less	\$ 9,814	\$ (262)	\$ 9,552
Due after one year through five years	230,873	(14,126)	216,747
Due after five years through ten years	50,239	(5,289)	44,950
Due after ten years	2,394	(266)	2,128
Total	<b>\$ 293,320</b>	<b>\$ (19,943)</b>	<b>\$ 273,377</b>

**NATIONAL GENERAL INSURANCE, LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(In Thousands, Except Shares and Per Share Data)**

Actual maturities may differ from those scheduled as a result of calls and make-whole payments by the issuers.

**(b) Gross unrealized losses and fair value by type and length of time held in a continuous unrealized loss position**

December 31, 2023	Less Than 12 Months			12 Months or More			Total unrealized losses
	Number of issues	Fair Value	Unrealized Losses	Number of issues	Fair Value	Unrealized Losses	
<b>Fixed income securities</b>							
U.S. government and agencies	21	\$ 31,653	\$ (156)	22	\$ 51,962	\$ (2,519)	\$ (2,675)
Corporate	11	10,381	(278)	138	101,661	(7,659)	(7,937)
Total Fixed Income Securities	<b>32</b>	<b>42,034</b>	<b>(434)</b>	<b>160</b>	<b>153,623</b>	<b>(10,178)</b>	<b>(10,612)</b>
Investment grade fixed income securities	32	42,034	(434)	160	153,623	(10,178)	(10,612)
Total	<b>32</b>	<b>\$ 42,034</b>	<b>\$ (434)</b>	<b>160</b>	<b>\$ 153,623</b>	<b>\$ (10,178)</b>	<b>\$ (10,612)</b>

December 31, 2022	Less Than 12 Months			12 Months or More			Total unrealized losses
	Number of issues	Fair Value	Unrealized Losses	Number of issues	Fair Value	Unrealized Losses	
<b>Fixed income securities</b>							
U.S. government and agencies	27	\$ 56,740	\$ (1,750)	31	\$ 62,456	\$ (4,781)	\$ (6,531)
Corporate	72	60,610	(4,615)	100	67,911	(9,106)	(13,721)
Total Fixed Income Securities	<b>99</b>	<b>117,350</b>	<b>(6,365)</b>	<b>131</b>	<b>130,367</b>	<b>(13,887)</b>	<b>(20,252)</b>
Investment grade fixed income securities	99	117,350	(6,365)	131	130,367	(13,887)	(20,252)
Total	<b>99</b>	<b>\$ 117,350</b>	<b>\$ (6,365)</b>	<b>131</b>	<b>\$ 130,367</b>	<b>\$ (13,887)</b>	<b>\$ (20,252)</b>

Investment grade is defined as a security having a rating of Aaa, Aa, A or Baa from Moody's, a rating of AAA, AA, A or BBB from S&P Global Ratings ("S&P"), a comparable rating from another nationally recognized rating agency, or a comparable internal rating if an externally provided rating is not available. Market prices for certain securities may have credit spreads which imply higher or lower credit quality than the current third-party rating. Unrealized losses on investment grade securities are principally related to an increase in market yields which may include increased risk-free interest rates or wider credit spreads since the time of initial purchase. The unrealized losses are expected to reverse as the securities approach maturity.

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*(c) Net Investment Income*

	For the Year Ended December 31,	
	2023	2022
Fixed income securities	\$ 7,871	\$ 4,312
Limited partnership interests	184	131
Short-term investments	972	183
<b>Investment income, before expense</b>	<b>9,027</b>	<b>4,626</b>
Investment expense	(238)	(322)
<b>Net investment income</b>	<b>\$ 8,789</b>	<b>\$ 4,304</b>

*(d) Net Gains (Losses) on Investments*

	For the Year Ended December 31,	
	2023	2022
Fixed income securities	\$ (3,786)	\$ (4,265)
Equity securities	—	(843)
Limited partnership interests	—	(12,990)
<b>Net gain (loss) on investments</b>	<b>\$ (3,786)</b>	<b>\$ (18,098)</b>

*(e) Gross realized gains (losses) on sales of fixed income securities*

	For the Year Ended December 31,	
	2023	2022
Gross realized gains (losses) on sales of fixed income securities		
Gross realized gains	\$ 89	\$ 135
Gross realized losses	(3,875)	(4,400)

*(f) Unrealized net capital gains (losses)*

	For the Year Ended December 31,	
	2023	2022
<b>Unrealized net capital gains (losses)</b>		
Fixed income securities	\$ (9,121)	\$ (19,943)
Short-term investments	1	—
<b>Total</b>	<b>(9,120)</b>	<b>(19,943)</b>
Deferred income taxes	—	(11)
<b>Unrealized net capital gains and losses, after-tax</b>	<b>\$ (9,120)</b>	<b>\$ (19,954)</b>

*(g) Short-term investments*

Short-term investments, including money market funds, commercial paper, U.S. Treasury bills and other short-term investments, are carried at fair value. As of December 31, 2023 and 2022, the fair value of short-term investments totaled \$26,884 and \$8,862, respectively.



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*(h) Limited partnership interests*

	December 31,			
	2023		2022	
	Equity method of accounting ("EMA")	Total	Equity method of accounting ("EMA")	Total
Private Equity	\$ 1,154	\$ 1,154	\$ 1,441	\$ 1,441
<b>Balance at end of year</b>	<b>\$ 1,154</b>	<b>\$ 1,154</b>	<b>\$ 1,441</b>	<b>\$ 1,441</b>

Equity method investments represent limited liability companies.

The Company held a variable interest in the following entities but is not the primary beneficiary of such VIE's. The Company accounts for these entities using the equity method of accounting. The Company believes its exposure to risk associated with these investments is generally limited to the investment carrying amounts.

*LSC Entity*

The Company had a 50% ownership interest in an entity (the "LSC Entity") initially formed to acquire life settlement contracts. The LSC Entity used the contributed capital to pay premiums and purchase policies. A life settlement contract is a contract between the owner of a life insurance policy and a third party who obtains the ownership and beneficiary rights of the underlying life insurance policy. The LSC Entity has a 30% non-controlling equity interest in the limited partnership managed by a third party.

The Company's equity interest in the LSC Entity as of December 31, 2023, and 2022, was \$0 and \$0, respectively. For the years ended December 31, 2023, and 2022, the Company recorded equity in earnings (losses) from the LSC Entity of \$0 and \$0, respectively, made contributions of \$0 and \$0, respectively, and received distributions of \$0 and \$2,142, respectively. During 2022, the Company sold its interest in the LSC Entity for \$14,626 and incurred a loss on sale of \$12,990.

**4. Fair Value of Financial Instruments**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy for inputs used in determining fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Assets and liabilities recorded on the Consolidated Statement of Financial Position at fair value are categorized in the fair value hierarchy based on the observability of inputs to the valuation techniques as follows:

**Level 1:** Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company can access.

**Level 2:** Assets and liabilities whose values are based on the following:

- (a) Quoted prices for similar assets or liabilities in active markets;
- (b) Quoted prices for identical or similar assets or liabilities in markets that are not active; or

(c) Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

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**Level 3:** Assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Unobservable inputs reflect the Company's estimates of the assumptions that market participants would use in valuing the assets and liabilities.

The availability of observable inputs varies by instrument. In situations where fair value is based on internally developed pricing models or inputs that are unobservable in the market, the determination of fair value requires more judgment. The degree of judgment exercised by the Company in determining fair value is typically greatest for instruments categorized in Level 3. In many instances, valuation inputs used to measure fair value fall into different levels of the fair value hierarchy. The category level in the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company uses prices and inputs that are current as of the measurement date, including during periods of market disruption. In periods of market disruption, the ability to observe prices and inputs may be reduced for many instruments.

The Company is responsible for the determination of fair value and the supporting assumptions and methodologies. The Company gains assurance that assets and liabilities are appropriately valued through the execution of various processes and controls designed to ensure the overall reasonableness and consistent application of valuation methodologies, including inputs and assumptions, and compliance with accounting standards. For fair values received from third parties or internally estimated, the Company's processes and controls are designed to ensure that the valuation methodologies are appropriate and consistently applied, the inputs and assumptions are reasonable and consistent with the objective of determining fair value, and the fair values are accurately recorded. For example, on a continuing basis, the Company assesses the reasonableness of individual fair values that have stale security prices or that exceed certain thresholds as compared to previous fair values received from valuation service providers or brokers or derived from internal models. The Company performs procedures to understand and assess the methodologies, processes and controls of valuation service providers. In addition, the Company may validate the reasonableness of fair values by comparing information obtained from valuation service providers or brokers to other third-party valuation sources for selected securities. The Company performs ongoing price validation procedures such as back-testing of actual sales, which corroborate the various inputs used in internal models to market observable data. When fair value determinations are expected to be more variable, the Company validates them through reviews by members of management who have relevant expertise and who are independent of those charged with executing investment transactions.

The Company has two types of situations where investments are classified as Level 3 in the fair value hierarchy:

(1) Specific inputs significant to the fair value estimation models are not market observable. This primarily occurs in the Company's use of broker quotes to value certain securities where the inputs have not been corroborated to be market observable, and the use of valuation models that use significant non-market observable inputs.

(2) Quotes continue to be received from independent third-party valuation service providers and all significant inputs are market observable; however, there has been a significant decrease in the volume and level of activity for the asset when compared to normal market activity such that the degree of market observability has declined to a point where categorization as a Level 3 measurement is considered appropriate. The indicators considered in determining whether a significant decrease in the volume and level of activity for a specific asset has occurred include the level of new issuances in the primary market, trading volume in the secondary market, the level of credit spreads over historical levels, applicable bid-ask spreads, and price consensus among market participants and other pricing sources.

Certain assets are not carried at fair value on a recurring basis, including mortgage loans, bank loans and policy loans and are only included in the fair value hierarchy disclosure when the individual investment is reported at fair value.

In determining fair value, the Company principally uses the market approach which generally utilizes market transaction data for the same or similar instruments. To a lesser extent, the Company uses the income approach which involves determining fair values from discounted cash flow methodologies. For the majority of Level 2 and Level 3 valuations, a combination of the market and income approaches is used.

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**Summary of significant inputs and valuation techniques for Level 2 and Level 3 assets and liabilities measured at fair value on a recurring basis**

Level 2 measurements

- Fixed income securities:

**Municipal and corporate - public:** The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.

**Corporate - privately placed:** Privately placed are valued using a discounted cash flow model that is widely accepted in the financial services industry and uses market observable inputs and inputs derived principally from, or corroborated by, observable market data. The primary inputs to the discounted cash flow model include an interest rate yield curve, as well as published credit spreads for similar assets in markets that are not active that incorporate the credit quality and industry sector of the issuer.

Level 3 measurements

- Fixed income securities:

**Corporate - public:** Primarily valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable. Other inputs for corporate fixed income securities include an interest rate yield curve, as well as published credit spreads for similar assets that incorporate the credit quality and industry sector of the issuer.

	December 31, 2023				
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Counterparty and cash collateral netting	Total
<b>Assets</b>					
Fixed income securities:					
U.S. government and agencies	\$ 116,569	\$ —	\$ —	\$ —	\$ 116,569
Corporate - public	—	133,663	—	—	133,663
Corporate - privately placed	—	22,875	—	—	22,875
<b>Total fixed income securities</b>	<b>116,569</b>	<b>156,538</b>	<b>—</b>	<b>—</b>	<b>273,107</b>
Short-term investments	26,884	—	—	—	26,884
<b>Total recurring basis assets</b>	<b>143,453</b>	<b>156,538</b>	<b>—</b>	<b>—</b>	<b>299,991</b>
Non-recurring basis	—	—	—	—	—
<b>Total assets at fair value</b>	<b>\$ 143,453</b>	<b>\$ 156,538</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 299,991</b>
% of total assets at fair value	47.8 %	52.2 %	— %	— %	100 %

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	December 31, 2022				
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Counterparty and cash collateral netting	Total
<b>Assets</b>					
Fixed income securities:					
U.S. government and agencies	\$ 136,157	\$ —	\$ —	\$ —	\$ 136,157
Corporate - public	—	117,146	966	—	118,112
Corporate - privately placed	—	19,108	—	—	19,108
<b>Total fixed income securities</b>	<b>136,157</b>	<b>136,254</b>	<b>966</b>	<b>—</b>	<b>273,377</b>
Short-term investments	8,862	—	—	—	8,862
<b>Total recurring basis assets</b>	<b>145,019</b>	<b>136,254</b>	<b>966</b>	<b>—</b>	<b>282,239</b>
Non-recurring basis	—	—	—	—	—
<b>Total assets at fair value</b>	<b>\$ 145,019</b>	<b>\$ 136,254</b>	<b>\$ 966</b>	<b>\$ —</b>	<b>\$ 282,239</b>
% of total assets at fair value	51.4 %	48.3 %	0.3 %	— %	100.0 %

For the years ended December 31, 2023, and 2022, there were no transfers into Level 3.

The following tables provide a reconciliation of recurring fair value measurements of the Level 3 financial assets:

	Corporate - Public	Equity Securities	Other investments	Total
Balance January 1, 2023	\$ 966	\$ —	\$ —	\$ 966
Transfers into Level 3	—	—	—	—
Total gains (losses) for the period:				
Included in net income	(18)	—	—	(18)
Included in other comprehensive income	31	—	—	31
Purchases	—	—	—	—
Settlements	—	—	—	—
Sales	(979)	—	—	(979)
Balance December 31, 2023	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
Change in unrealized gains (losses) for the period included in net income for assets held at the end of the reporting period	\$ —	\$ —	\$ —	\$ —
Change in unrealized gains (losses) for the period included in other comprehensive income for assets held at the end of the reporting period	\$ —	\$ —	\$ —	\$ —

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	Corporate - Public	Equity Securities	Other investments	Total
Balance January 1, 2022	\$ —	\$ —	\$ —	\$ —
Transfers into Level 3	—	—	—	—
Total gains (losses) for the period:				
Included in net income	(31)	—	—	(31)
Included in other comprehensive income	997	—	—	997
Purchases	—	—	—	—
Settlements	—	—	—	—
Sales	—	—	—	—
Balance December 31, 2022	<u>\$ 966</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 966</u>
Change in unrealized gains (losses) for the period included in net income for assets held at the end of the reporting period	\$ —	\$ —	\$ —	\$ —
Change in unrealized gains (losses) for the period included in other comprehensive income for assets held at the end of the reporting period	\$ (31)	\$ —	\$ —	\$ (31)

## 5. Deferred Acquisition Costs

The following tables reflects the activity of policy acquisition costs deferred and amortized:

	Year Ended December 31,	
	2023	2022
Balance, beginning of the year	\$ 13,306	\$ 10,187
DAC written off	—	—
Acquisition costs deferred	28,065	32,636
Amortization charged to income	(30,976)	(29,517)
Change in DAC	(2,911)	3,119
<b>Balance, end of the year</b>	<u><b>\$ 10,395</b></u>	<u><b>\$ 13,306</b></u>

## 6. Reserve for property and casualty insurance claims and claims expense

The unpaid losses and Loss Adjustment Expense (“LAE”) reserves are an estimate of the Company’s liability from incurred claims at the end of the reporting period. The unpaid losses and LAE reserves are the result of an ongoing analysis of recent loss development trends and emerging historical experience. Original estimates are increased or decreased as additional information becomes known regarding individual claims. In setting its reserves, the Company reviews its loss data to estimate expected loss development. Management believes that its use of standard actuarial methodology applied to its analyses of its historical experience provides a reasonable estimate of future losses. However, actual future losses may differ from the Company’s estimate, and may be affected by future events beyond the control of management, including inflation, which may favorably or unfavorably impact the ultimate settlement of the Company’s losses and LAE, as well as changes in the law and judicial interpretations.

The anticipated effect of inflation is implicitly considered when estimating liabilities for losses and LAE. In addition to inflation, the average severity of claims is affected by a number of factors that may vary by types and features of policies written. Future average severities are projected from historical trends, adjusted for implemented

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changes in underwriting standards and policy provisions, as well as general economic trends. These estimated trends are monitored and revised as necessary based on actual development.

The following tables present a reconciliation of beginning and ending balances for unpaid losses and LAE:

	Year Ended December 31,	
	2023	2022
Gross balance, beginning of the year	\$ 29,399	\$ 17,084
Incurred losses and LAE related to:		
Current year	66,169	59,940
Prior year	3,479	980
Total incurred	69,648	60,920
Paid losses and LAE related to:		
Current year	(49,893)	(38,006)
Prior year	(32,878)	(10,599)
Total paid	(82,771)	(48,605)
Gross balance, end of the year	\$ 16,276	\$ 29,399

*Prior year loss development*

2023. Loss and LAE for the year ended December 31, 2023, included \$3,479 of unfavorable loss development on prior accident year loss and LAE reserves, driven by deteriorating severity trends in private passenger auto.

2022. Loss and LAE for the year ended December 31, 2022, included \$980 of unfavorable loss development on prior accident year loss and LAE reserves, driven by greater than expected emergence in unfavorable development in private passenger auto.

Prior year reserve reestimates included in claims and claims expense<sup>1</sup>

	Year Ended December 31,	
	2023	2023
	Q2	Q1
Property and casualty	\$ 2,538	\$ 1,458

<sup>1</sup>This relates to a reserve re-estimates which was commuted as part of the 40% commutation.

*Short-duration contracts*

The following is information about incurred and paid claims development as of December 31, 2023, net of reinsurance, as well as cumulative claim frequency and the total of incurred-but-not-reported liabilities (“IBNR”) plus expected development on reported claims included within the net incurred claims amounts. The information about incurred and paid claims development for the years ended prior to December 31, 2023, is presented as unaudited supplementary information.

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*Property and Casualty*

Accident Year	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance				December 31, 2023	
	Year Ended December 31,				Total of IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
	2020	2021	2022	2023		
	(unaudited)					
2020	\$ 24,405	\$ 24,109	\$ 21,911	\$ 21,911	\$ —	650,258
2021		52,232	55,411	54,890	—	802,236
2022			59,940	63,940	—	905,645
2023				66,169	11,428	1,032,683
Total (A)				<u>\$ 206,910</u>		

Accident Year	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance			
	Year Ended December 31,			
	2020	2021	2022	2023
	(unaudited)			
2020	\$ 11,058	\$ 20,409	\$ 21,911	\$ 21,911
2021		38,849	47,946	54,890
2022			38,006	63,940
2023				49,893
Total (B)				<u>\$ 190,634</u>
Unpaid loss and allocated loss adjustment expense reserves before 2011, net of reinsurance (C)				<u>\$ —</u>
Unpaid loss and allocated loss adjustment expense reserves, net of reinsurance (A) - (B) + (C)				<u>\$ 16,276</u>

Years	Average Annual Percentage Payout of Accident Year Incurred Claims by Age, Net of Reinsurance*						
	1	2	3	4	5	6	7
	(unaudited)						
Property and Casualty	56.8 %	27.1 %	8.2 %	3.9 %	2.1 %	1.4 %	0.5 %

\*Please note that due to lack of sufficient data and/or the effects of the accident years 2022 and prior as a result of NGRE's commutation, we have elected to use the subject business from Integon as a proxy for the payout pattern. Refer to the quota share in Footnote 7.

*Methodology for Estimating Incurred-But-Not-Reported Reserves*

Loss and LAE reserves represent management's estimate of the ultimate liability for claims that have been reported and claims that have been incurred but not yet reported as of the balance sheet date. Because the establishment of loss and LAE reserves is a process involving estimates and judgment, currently estimated reserves may change. The Company reflects changes to the reserves in the results of operations for the period during which the estimates are changed.

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Incurred-but-not-reported reserve estimates are generally calculated by first projecting the ultimate cost of all claims that have occurred and then subtracting reported losses and loss expenses. Reported losses include cumulative paid losses and loss expenses plus case reserves. Therefore, the IBNR also includes provision for expected development on reported claims.

The Company's internal actuarial analysis of the historical data provides the factors the Company uses in its actuarial analysis in estimating its loss and LAE reserves. These factors are implicit measures over time of claims reported, average case incurred amounts, case development, severity and payment patterns. However, these factors cannot be directly used as they do not take into consideration changes in business mix, claims management, regulatory issues, medical trends, and other subjective factors. In accordance with Actuarial Standards of Practice, the Company generally uses multiple traditional methods in determining our estimates of the ultimate unpaid claim liabilities. Each of these methods require actuarial judgment and assumptions. The techniques can include, but are not limited to:

- Paid Development Method - uses historical, cumulative paid losses by accident year and develops those actual losses to estimated ultimate losses based upon the assumption that each accident year will develop to estimated ultimate cost in a manner that is analogous to prior years.
- Paid Generalized Cape Cod Method - combines the Paid Development Method with the expected loss method, where the expected loss ratios are estimated from exposure and claims experience weighted across multiple accident periods. The selected expected loss ratio for a given accident year is derived by giving some weight to all of the accident years in the experience history rather than treating each accident year independently.
- Paid Bornhuetter-Ferguson Method - a combination of the Paid Development Method and the Expected Loss Method, the Paid Bornhuetter-Ferguson Method estimates ultimate losses by adding actual paid losses and projected future unpaid losses. The amounts produced are then added to cumulative paid losses to produce the final estimates of ultimate incurred losses.
- Incurred Development Method - uses historical, cumulative incurred losses by accident year and develops those actual losses to estimated ultimate losses based upon the assumption that each accident year will develop to estimated ultimate cost in a manner that is analogous to prior years.
- Incurred Generalized Cape Cod Method - combines the Incurred Development Method with the expected loss method, where the expected loss ratios are estimated from exposure and claims experience weighted across multiple accident periods. The selected expected loss ratio for a given accident year is derived by giving some weight to all of the accident years in the experience history rather than treating each accident year independently.
- Incurred Bornhuetter - Ferguson Method - a combination of the Incurred Development Method and the Expected Loss Method, the Incurred Bornhuetter-Ferguson Method estimates ultimate losses by adding actual incurred losses and projected future unreported losses. The amounts produced are then added to cumulative incurred losses to produce an estimate of ultimate incurred losses.
- Expected Loss Method - utilizes an expected ultimate loss ratio based on historical experience adjusted for trends multiplied by earned premium to project ultimate losses.

For each method, losses are projected to the ultimate amount to be paid. The Company then analyzes the results and may emphasize or deemphasize some or all of the outcomes to reflect actuarial judgment regarding their reasonableness in relation to supplementary information and operational and industry changes. These outcomes are then aggregated to produce a single selected point estimate that is the basis for the internal actuary's point estimate for loss reserves.

*Methodology for Determining Cumulative Number of Reported Claims*

When the Company is notified of an incident of potential liability that may lead to demand for payment(s), a claim file is created. Methods used to summarize claim counts have not changed significantly over the time periods reported in the tables above. The methodology of counting claims for each of the Company's segments may be summarized as follows:



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The Company's P&C claims are counted by claim number assigned to each claimant per insured event. However, if an insured event occurs and demand for payment is made with respect to more than one coverage (e.g., an automobile claim arising from the same incident demanding separate payment for liability and physical damage), there would be one claim counted for each coverage for which a demand for payment was made. Claims closed without payment are included in the cumulative number of reported P&C claims.

**7. Reinsurance**

Allstate Insurance Company ("AIC") cedes the subject business of Integon National Insurance Company ("Integon") of Winston-Salem, North Carolina, a wholly owned subsidiary of Allstate to NG Re. The Company has a 6% auto physical damage, no-fault, personal injury protection and liability quota share reinsurance contract with NGRE.

Effective July 1, 2023, NGRE's Amendment No.3 (the "Amendment") modifies and amends the Amended and Restated National General Reinsurance Intercompany Quota Share between NGRE and AIC. The Quota Share participation of losses incurred has decreased from 40% to 25%. This will have an impact on NGI's numbers.

The following is the effect of reinsurance on premiums and loss and LAE:

	Year Ended December 31,			
	2023		2022	
	Written	Earned	Written	Earned
Premium:				
Assumed Gross Premium	\$ 89,828	\$ 98,787	\$ 100,420	\$ 90,823
Total Gross Premium	89,828	98,787	100,420	90,823
Net Premium	<u>\$ 89,828</u>	<u>\$ 98,787</u>	<u>\$ 100,420</u>	<u>\$ 90,823</u>

  

	Year Ended December 31,			
	2023		2022	
	Assumed	Direct	Assumed	Direct
Loss and LAE	<u>\$ 69,648</u>	<u>\$ —</u>	<u>\$ 60,920</u>	<u>\$ —</u>

**8. Income Taxes**

The Company provides for income tax expense or benefit based upon pre-tax income or loss reported in the consolidated financial statement and the provisions of currently enacted tax laws. The Company is incorporated under the laws of Bermuda and is subject to Bermuda law with respect to taxation. Under current Bermuda law, the Company is not subject to any income or capital gains taxes in Bermuda. In the event that such taxes are imposed, the Company would be exempted from any such taxes until March 2035 under the Tax Assurance Certificates issued to such entities pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966 as amended.

On December 27, 2023, the Bermuda Government enacted the Corporate Income Tax Act of 2023 (Bermuda CIT) which superseded the Tax Assurance Certificates issued pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966. The Bermuda CIT imposes a 15% corporate income tax on certain multinationals earning annual revenue of €750M or more in Bermuda starting in tax year 2025 and onwards. Although the tax is effective beginning in 2025, ASC 740, Accounting for Income Taxes, requires the effects of changes in tax laws or rates to be recognized in the period in which the law is enacted, regardless of the effective date. In the period of enactment, analysis of the impacts resulting from the introduction of the Bermuda CIT regime will need to be determined for the appropriate financial statement effects, with the total effect recorded as a component of the income tax provision. The financial reporting implications of the Bermuda CIT regime may result in the recognition of deferred tax assets

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or liabilities. The Company does not have any identifiable intangible assets that would fall under scope of transitional provisions Economic Transition Adjustment (ETA).

The Company recorded \$1,258 deferred tax asset on unrealized losses that would be recognized in pretax income after 2024. It is not expected that our Bermuda subsidiaries will have a tax liability under the Bermuda CIT starting in 2025 because it will have sufficient foreign tax credits to offset Bermuda tax. Therefore, the unrealized losses are not realizable and have been offset by a valuation allowance of \$1,258. Furthermore, the established deferred tax asset on Bermuda unrealized losses has no overall impact on the effective tax rate because it is offset by the change in valuation allowance.

## 9. Related Party Transactions

### *Reinsurance*

Effective July 1, 2020, the Company assumes 6% of the net premiums of NGRE's auto physical damage, no-fault, personal injury protection and liability business, pursuant to a quota share reinsurance agreement.

Effective July 1, 2023, NGRE's Amendment No.3 (the "Amendment") modifies and amends the Amended and Restated National General Reinsurance Intercompany Quota Share between NGRE and AIC. The Quota Share participation of losses incurred has decreased from 40% to 25%. This will have an impact on NGI's numbers.

Effective January 1, 2023, the Company agrees to reinsure the excess liability which may accrue to Allstate Insurance Company of Canada ('AICC') under all of its policies, contracts and binders of insurance where modeled or not, in force at the effective date or issued or renewed on or after that date as classified by AICC as personal property and automobile physical damage excluding collision and upset. The reinsurer accepts the following share of the interest and liabilities under this contract:

25% of CAD50,000,000 in excess of CAD 75,000,000  
10% of CAD75,000,000 in excess of CAD 125,000,000

The premiums earned were \$3,473 and \$0 for the years ended December 31, 2023 and 2022 respectively.

Assumed activity and balances related to this reinsurance treaty are as follows:

	Year Ended December 31,	
	2023	2022
Premiums earned	\$ 95,314	\$ 90,823
Commission expenses	30,977	29,517
Losses and loss adjustment expense	69,648	60,920
Premium receivable	\$ 52,611	\$ 66,469
Reinsurance payable	8,582	13,471
Commission payable	17,098	21,602
Losses and loss expense reserves	16,276	29,399
Unearned premium	31,984	40,942

### *Management Agreement*

Effective January 1, 2018, National General Insurance Management Limited ("NGIM or the Manager") entered into a management agreement with NGRE, in which the Manager provides certain accounting and administrative services in connection with the operations of NGRE. Effective July 31, 2023 the 2018 amended agreement was terminated and replaced with a new agreement whereby the Manager will provide certain accounting

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and administrative services to NGRE. NGRE's fee is an amount equal to the Manager's actual costs incurred plus 5%. NGRE incurred charges of \$605 and \$961 related to these services for the years ended December 31, 2023, and 2022, respectively.

Effective July 31, 2023 the Manager entered into a management agreement with NGI, in which the Manager provides certain accounting and administrative services in connection with the operations of NGI. NGI's fee is an amount equal to the Manager's actual costs incurred plus 5%. NGI incurred charges of \$180 and \$— related to these services for the years ended December 31, 2023, and 2022, respectively.

*Reinsurance Brokerage Management Agreement*

Effective November 15, 2018, a reinsurance brokerage agreement was entered between NGIM and NGRE, in which the NGRE appoints NGIM as its exclusive broker for the negotiation, procurement and/or placement of reinsurance by NGRE. The Original Agreement dated January 1, 2014 was entered between National General Reinsurance Broker, Ltd. On November 15, 2018 NGRB and NGIM merged with the surviving company being NGIM. NGRE's fee is an amount equal to 1.25% of Net Earned premium assumed by NGRE. NGRE incurred charges of \$15,155 and \$24,906 related to these services for the years ended December 31, 2023, and 2022, respectively. Effective July 1, 2023 the reinsurance brokerage agreement was terminated.

**10. Shareholders' Equity**

*Capital*

For the years ended December 31, 2023, and 2022, the Company paid a dividend of \$0 and \$0, respectively.

*Accumulated Other Comprehensive Income*

*Components of other comprehensive income (loss) on a pre-tax and after-tax basis*

	Year Ended December 31,	
	2023	2022
Unrealized net capital gains and losses pre-tax	\$ (9,120)	\$ (19,943)
Tax	—	(11)
Unrealized net capital gains and losses after-tax	(9,120)	(19,954)
Accumulated other comprehensive loss	\$ (9,120)	\$ (19,954)

*Reclassification of other comprehensive income to realized capital gains and losses*

	Year Ended December 31	
	2023	2022
Realized gain (loss) fixed income	\$ (3,786)	\$ (4,265)
Realized gain (loss) short term	—	—
Less current period buy and sell in realized gain/loss: <sup>(1)</sup>		
Adjustment for comprehensive income - fixed income	2	(41)
<b>Total reclassification of OCI to realized gain/loss, pretax</b>	<b>\$ (3,788)</b>	<b>\$ (4,224)</b>

(1) RCGL amount not impacting OCI for the period

**11. Statutory Capital and Surplus**

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In 2015, the Bermuda Monetary Authority implemented the Economic Balance Sheet (“EBS”) framework which will now be used as the basis to determine the Insurer’s Enhanced Capital Requirement (“ECR”). The Authority also revised the basis in which Statutory Financial Statement (“SFS”) for commercial insurers are prepared. Before the changes, commercial insurers were required to prepare SFS under Section 15 of the Act as prescribed under the Insurance Accounts Regulations 1980 (the “Accounts Regulations”) as well as additional GAAP financial statement under Section 17 of the Act. Under the new changes financial statements prepared under Section 17A will act as the basis on which SFS will now be prepared subject to application of certain prudential filters. This financial statement will in turn, form the starting basis for the preparation of the EBS. The SFS will have a statement both on a consolidated and unconsolidated basis. The unconsolidated information will form the basis for assessing the Insurer’s liquidity position, Minimum Solvency Margin (“MSM”), and class of registration while the consolidated information will form the starting point for the EBS. The EBS, will be the basis to calculate the Insurer’s ECR.

Under the Act, the Company will be required to file a statutory income statement and statutory statement of capital and surplus on an unconsolidated basis (“unconsolidated SFS”) reflecting the entity’s unconsolidated financial position for the years ended December 31, 2023, and 2022. The information contained in the unconsolidated SFS will be used as one of the basis for computation of the MSM with the other consideration being 25% of ECR which is computed from the EBS.

The statutory capital and surplus of the Company for the years ended December 31, 2023, and 2022 was \$296,586 and \$268,949, respectively, and the amount required to be maintained under Bermuda law, the minimum solvency margin, was \$13,774 and \$15,363 at December 31, 2023, and 2022, respectively. The Company was also required to maintain a minimum liquidity ratio. All requirements were met by the Company throughout the period. In addition, the Company is subject to statutory and regulatory restrictions under the Act.

The Company is registered as a Class 3A insurer under the Act and, therefore, must maintain capital at a level equal to its enhanced capital requirement (“ECR”). The Company is currently completing the 2023 Bermuda Solvency Capital Requirement (“BSCR”), SFS and EBS and believes that it meets the target level of required capital as of December 31, 2023, and 2022.

The statutory basis financial statement differs from financial statements prepared in accordance with U.S. GAAP with the principal difference relating to non-admitted assets under the Insurance Account Rules 2016 (“Rules”). Non-admitted assets under the Rules are identified as prepaids, deferred expenses and intangibles. The following tables present and reconcile statutory net income of the Company as a standalone entity for the years ended December 31, 2023, and 2022, and the statutory capital and surplus as per statutory basis financial returns as of December 31, 2023, and 2022, to U.S. GAAP net income and equity:

	Year Ended December 31,	
	2023	2022
Statutory net income	\$ 16,802	\$ 10,213
Unrealized gain (loss) on subsidiaries	—	—
U.S. GAAP net income	<u>\$ 16,802</u>	<u>\$ 10,213</u>
Statutory surplus and capital	\$ 296,586	\$ 268,949
Non - admitted assets	60	61
U.S. GAAP shareholders’ equity	<u>\$ 296,646</u>	<u>\$ 269,010</u>

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**12. Subsequent Events**

The Company has evaluated subsequent events through April 29, 2024, the date on which the Consolidated Financial Statements were available to be issued. There were no subsequent events requiring adjustments to or disclosures in the Consolidated Financial Statements.