

Assured Guaranty Re Ltd.

(a wholly-owned subsidiary of Assured Guaranty Ltd.)

2024 Financial Condition Report

Assured Guaranty Re Ltd.
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Definitions

Term	Definition
AG	Assured Guaranty Inc. (formerly, Assured Guaranty Corp., and effective August 1, 2024, successor by merger to AGM)
AGE	Assured Guaranty (Europe) SA
AGL	Assured Guaranty Ltd.
AGFP	AG Financial Products Inc.
AGM	Assured Guaranty Municipal Corp. (effective as of August 1, 2024, AGM was merged with and into AG, with AG being the surviving entity of the merger)
AGOUS	Assured Guaranty Overseas US Holdings Inc.
AG Re	Assured Guaranty Re Ltd.
AGRO	Assured Guaranty Re Overseas Ltd.
AGUK	Assured Guaranty UK Limited
AG Services	AG US Group Services Inc.
Affiliated Ceding Companies	AGC, AGM, AGUK and AGE
Assured Guaranty or the Group	AGL together with its subsidiaries
Bermuda Service Agreement	Amended and Restated Service Agreement among AG Services, AG Re and AGL, effective as of January 1, 2022 (as may be amended from time to time)
Best Estimate Technical Provisions	Gross best estimate portion of the technical provisions value
BIG	Below-investment-grade
BMA or the Authority	Bermuda Monetary Authority
the Board	Board of Directors
BSCR	Bermuda Solvency Capital Requirement
CDS	Credit default swap
CFO	Chief Financial Officer
CISSA	Commercial Insurers' Solvency Self-Assessment
CIT	Bermuda's Corporate Income Tax Act of 2023
CMBS	Commercial mortgage-backed securities
Code of Conduct	Insurance Code of Conduct issued by the Bermuda Monetary Authority
Commonwealth of Puerto Rico	Puerto Rico or the Commonwealth
the Court	Supreme Court of the State of New York
Companies Act	Bermuda Companies Act 1981, as amended
The Company	AG Re together with its subsidiaries
debt service	scheduled principal or interest payment
ECM	Economic capital model
ECR	Enhanced capital requirement
ETA	Economic transition adjustment
Expense Load	Present value of projected future operating expenses
FCR	Financial condition report
Federal District Court of Puerto Rico	United States District Court of the District of Puerto Rico
First Circuit	United States Court of Appeals for the First Circuit
Fitch	Fitch Ratings Inc.
FOMB	Financial Oversight and Management Board
FOMB PREPA PLAN	On February 16, 2024, the FOMB filed with the Federal District Court of Puerto Rico its most recent plan of adjustment for PREPA, the Modified Fourth Amended Title III Plan of Adjustment
GAAP	Accounting Principles Generally Accepted in the United States of America
GHG	Greenhouse gas
GPO	Gross par outstanding
the Group Service Agreement	Third Amended and Restated Service Agreement, effective as January 1, 2020 (as may be amended from time to time)
IG	Investment Grade
Insurance Act	Bermuda Insurance Act 1978, as amended, and related rules and regulations
Insurance Securitizations	Transactions, including life insurance transactions, where obligations are secured by the future earnings from pools of various types of insurance/reinsurance policies and income produced by invested assets

IT	Information Technology
KRIs	Key risk indicators
LAE	Loss adjustment expense
LBIE	Lehman Brothers International (Europe) (in administration)
MFA	Puerto Rico Municipal Finance Agency
Moody's	Moody's Investors Service Inc.
MSM	Minimum Margin of Solvency
NPO	Net par outstanding
PREPA	Puerto Rico Electric Power Authority
PREPA RSA	PREPA restructuring support agreement executed in May 2019
PRHTA	Puerto Rico Highways and Transportation Authority
PRIFA	Puerto Rico Infrastructure Financing Authority
PROMESA	Puerto Rico Oversight, Management, and Economic Stability Act
PVP	Present Value of New Business Production
Rating Agencies	S&P, Moody's or Fitch
RMBS	Residential Mortgage-Backed Securities
RVI	Residual Value Insurance
S&P	S&P Global Ratings, a division of Standard & Poor's Financial Services LLC
Solvency Regulations	BMA's Insurance (Prudential Standards) (Class 4 and 3B Solvency Requirement) Rules
Standard Formula	Standard formula to calculate the Bermuda Solvency Capital Requirement provided by the BMA
U.K.	United Kingdom
U.S.	United States of America
USD	U.S. Dollars

EXECUTIVE SUMMARY

This Financial Condition Report has been prepared in accordance with the Bermuda Insurance (Public Disclosure) Rules 2015 and sets out information on the business and financial performance of the Company, its system of governance, risk profile, valuation of assets and liabilities for solvency purposes and capital management as of December 31, 2024. The Bermuda Insurance (Public Disclosure) Rules 2015 prescribe the structure of the document and the information required to be reported in each section.

Principal Activities

AG Re is wholly owned by AGL, a Bermuda-based holding company that provides, through its operating subsidiaries, credit protection products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets.

AG Re is incorporated with limited liability under the Companies Act and is licensed as a Class 3B Insurer under the Insurance Act. AG Re owns AGOUS, a Delaware corporation, which owns the entire share capital of a Bermuda reinsurer, AGRO. AGRO was also incorporated with limited liability under the Companies Act and is licensed as a Class 3A Insurer and a Class C Long-Term Insurer under the Insurance Act. AGRO owns AG Intermediary Inc., a New York company. AGRO maintains certified reinsurer status granted by the Missouri Department of Insurance.

AG Re and AGRO write business as reinsurers of third-party primary insurers and as reinsurers/retrocessionaires of certain affiliated companies. Under a reinsurance agreement, the reinsurer, in consideration of a premium paid to it, agrees to indemnify another insurer, called the ceding company, for part or all of the liability of the ceding company under one or more insurance policies that the ceding company has issued. The Company reinsures financial guaranty insurance contracts under quota share and excess of loss reinsurance treaties and, through AGRO, provides certain other types of insurance and reinsurance.

AG Re underwrites financial guaranty reinsurance. Financial guaranty insurance protects holders of debt instruments and other monetary obligations from defaults in scheduled payments. If an obligor defaults on a scheduled payment due on an obligation, including debt service, the insurer is required under its unconditional and irrevocable financial guaranty to pay the amount of the shortfall to the holder of the obligation. The Company provides financial guaranty reinsurance under quota share and excess of loss treaties. The Company's affiliates, AG, AGUK and AGE, account for all of the new financial guaranty assumed reinsurance business.

AGRO also guarantees specialty business with risk profiles similar to those of its structured finance exposures written in financial guaranty form. Specialty business includes, for example, excess-of-loss guarantees of a minimum amount of billed rent on diversified portfolios of real estate properties, insurance securitizations, pooled corporate obligations and RVI transactions.

The financial information in this report is presented on a U.S. GAAP consolidated basis in USD.

Ratings

The obligations insured or reinsured by the Company are generally awarded ratings on the basis of the financial strength ratings given to the Company by major securities rating agencies. As of April 29, 2025 the Company has been assigned an insurance financial strength rating of AA with a stable outlook from S&P.

Business and Performance

Underwriting performance

During 2024 the Company reinsured approximately \$8.6 billion (2023: \$7.4 billion) of gross par and exposure written related to financial guaranty insurance and several specialty transactions, generating PVP of \$113.5 million (2023: \$149.6 million).

Net earned premiums were \$96.4 million in 2024 (2023: \$81.3 million), increasing year on year primarily as a result of more accelerations from refundings and terminations in 2024 compared to 2023 and higher scheduled net earned premiums on the financial guaranty insurance and specialty lines of business.

Loss and loss adjustment benefit was \$2.3 million in 2024 (2023: expense of \$50.8 million). There were higher losses last year related to certain U.S. public finance exposures and deterioration related to certain insurance securitization exposures and in 2024 deterioration related to non-U.S. public finance was more than offset by improvements in structured finance, including U.S. RMBS and insurance securitization exposures.

Net income for the year was \$98.5 million (2023: \$283.5 million). Net income was significantly higher in 2023 due in most part to a deferred tax benefit of \$188.8 million recorded in the fourth quarter of 2023, arising from the new Bermuda corporate income tax law that was passed in December 2023 as described in more detail in *Section i.g. Performance of Investments & Material Income & Expenses for the Reporting Period*.

The Company's in-force portfolio by sector as at December 31, 2024 is shown in the table below.

Insured and reinsured portfolio summaries

	Financial Guaranty Portfolio Summary					
	As of December 31, 2024			As of December 31, 2023		
	GPO	Ceded to Non-Affiliated Reinsurers	NPO	GPO	Ceded to Non-Affiliated Reinsurers	NPO
	(in thousands)					
Public finance	\$ 56,196,959	\$ —	\$ 56,196,959	\$ 54,696,266	\$ —	\$ 54,696,266
Structured finance	4,995,113	400,000	4,595,113	4,278,271	300,000	3,978,271
Total	<u>\$ 61,192,072</u>	<u>\$ 400,000</u>	<u>\$ 60,792,072</u>	<u>\$ 58,974,537</u>	<u>\$ 300,000</u>	<u>\$ 58,674,537</u>
IG (1)	\$ 58,865,980	\$ 400,000	\$ 58,465,980	\$ 57,700,519	\$ 300,000	\$ 57,400,519
BIG (1)	\$ 2,326,092	\$ —	\$ 2,326,092	\$ 1,274,018	\$ —	\$ 1,274,018

(1) Ratings on the Company's insured portfolio reflect its internal ratings.

Specialty Business Portfolio Summary

	As of December 31, 2024		As of December 31, 2023	
	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure
	(in thousands)			
Diversified real estate	\$ 2,004,252	\$ 2,004,252	\$ 1,569,397	\$ 1,569,397
Insurance securitizations	1,449,456	1,126,618	1,370,393	1,043,418
Pooled corporate obligations	867,600	867,600	487,600	487,600
Aircraft residual value insurance	146,925	86,671	355,101	200,048

Investment performance

The total investment return for 2024 was \$53.4 million (2023: \$52.0 million). The increase was primarily as a result of increased investment income on short-term investments as a result of higher balances in 2024. The Company's investments are typically held to maturity, therefore the preferred measure of investment return is book yield, which was approximately 4.1% at December 31, 2024.

System of Governance

The Company's Board has overall responsibility for directing and controlling the activities of the Company which includes the establishment and oversight of its system of governance. The Board and management of the Company are committed to high standards of corporate governance and have placed significant focus on the establishment and maintenance of a comprehensive and effective governance framework. Integral to this framework are the functions overseen by the Board that perform the day-to-day operations of the Company and implement policies, procedures, guidelines and limits approved by the Board.

The Company's risk management and compliance functions are responsible for managing risks and are supplemented by an independent (outsourced) Internal Audit function which provides assurance over the operation of the risk management framework, including the Company's internal control framework.

The Company's governance and risk management framework is described in more detail in *Section ii, Governance Structure* and *Section iii, Risk Profile*.

Risk Profile

The most significant risk to which the Company is exposed remains underwriting risk. The Company's tolerance for risk is established within its Risk Appetite Statement. Risk exposures are controlled and monitored under the Risk Management Framework, which ensures a continuous process of risk identification, measurement, monitoring, management and reporting. The Company's risks and how those risks are addressed are described in more detail in *Section iii, Risk Profile*.

Valuation for Solvency Purposes

Under the Solvency Regulations all assets and liabilities are required to be valued on a basis that reflects their fair value. The excess of the Company's assets over liabilities within its economic balance sheet as at December 31, 2024 was \$1.4 billion. Net assets as reported within the Company's U.S. GAAP financial statements were \$1.1 billion. The adjustments made to U.S. GAAP shareholder's equity to derive solvency capital are set out below.

Summary of adjustments to U.S. GAAP balance sheet

	As of December 31, 2024	As of December 31, 2023
	(in thousands)	
Shareholder's equity under U.S. GAAP	\$ 1,087,474	\$ 1,094,448
Disallowed items (prepayments, deferred tax related to Bermuda CIT) (1)	(623)	(189,024)
Adjustment to net best estimate provision & discounting	428,651	425,849
Risk Margin	(66,422)	(100,609)
Deferred tax adjustment	(68,463)	(10,684)
Solvency capital under Solvency Regulations	<u>\$ 1,380,617</u>	<u>\$ 1,219,980</u>

(1) In 2023, per instruction from the BMA, the Company did not reflect the impact of the Bermuda CIT on its economic balance sheet and deferred taxes were only calculated in so far as they pertained to U.S. tax paying entities. In 2024, the Company has reflected the impact of the Bermuda CIT on its economic balance sheet and deferred taxes per an updated instruction from the BMA.

Further details of the Company's valuation of assets, technical provisions and other liabilities under the Solvency Regulations are described in more detail in *Section iv, Solvency Valuation*.

Capital Management

A primary objective of the Company's capital management is to ensure sufficient capital resources to meet the Company's regulatory capital requirements.

The Company's regulatory solvency position has strengthened considerably during the year with the regulatory solvency coverage ratio increasing to 553.6% as of December 31, 2024 (2023: 424.9%). Solvency capital increased primarily because of an increase in the Deferred tax asset due to the inclusion of the deferred tax asset related to the Bermuda CIT and a decrease in Technical Provisions. The ECR decreased primarily due to a decrease in interest rate risk and reserve risk, partially offset by an increase in catastrophe risk. The ECR and MSM solvency coverage ratios are shown below.

Summary of ECR and MSM

	As of December 31, 2024		As of December 31, 2023	
	(in thousands)			
Eligible Capital to meet the ECR	\$	1,380,617	\$	1,219,980
ECR	\$	249,378	\$	287,094
ECR Ratio		553.6 %		424.9 %
Eligible Capital to meet the MSM	\$	1,380,617	\$	1,219,980
MSM	\$	62,345	\$	71,774
MSM Ratio		2,214.5 %		1,699.8 %

All of the Company's eligible capital was categorized as Tier 1.

The Company's eligible capital and solvency capital requirements are described in more detail in *Section v, Capital Management*.

i. BUSINESS AND PERFORMANCE

This section of the FCR provides information about the Company's business, its structure and financial performance.

The Company prepares its financial statements in accordance with U.S. GAAP. The information on financial performance provided in this section is therefore presented on a U.S. GAAP basis, unless otherwise stated.

a. Name of Insurer

AG Re was incorporated in 1996 under the Companies Act as a Bermuda exempted company limited by shares. AG Re is licensed as a Class 3B Insurer under the Insurance Act.

The registered office of the Company is:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

b. Supervisors

The Company's insurance supervisor at the Bermuda Monetary Authority is:

Gregory Bell
Assistant Director, Insurance
Bermuda Monetary Authority
BMA House
43 Victoria Street
Hamilton
Bermuda
Phone: 441-295-5278
Email: gbell@bma.bm

The Company's group insurance supervisor is:

Maryland Insurance Administration
200 St. Paul Place, Suite 2700
Baltimore, Maryland 21202
United States of America
Attention: Lynn Beckner, Associate Commissioner, Financial Regulation
Phone: 410-468-2126
Email: lynn.beckner@maryland.gov

c. Approved Auditor

The Company's approved auditor is:

Statutory Reporting
PricewaterhouseCoopers Ltd.
P. O. Box HM 1171
Hamilton HM EX
Bermuda

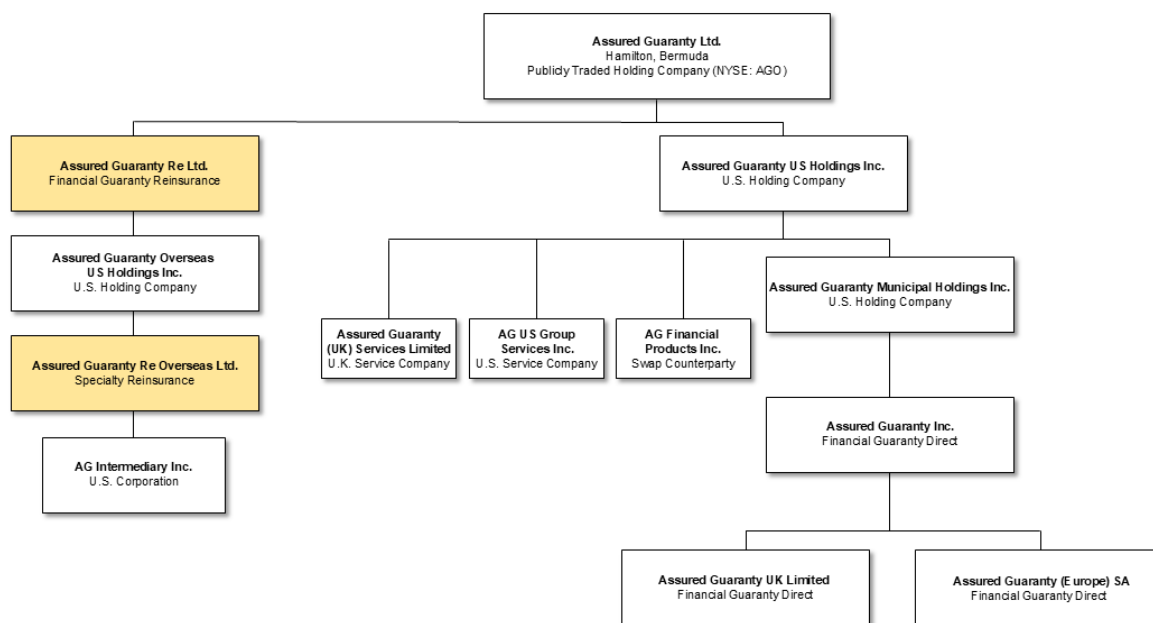
GAAP Reporting
PricewaterhouseCoopers LLP
300 Madison Avenue
New York, New York 10017
United States of America

d. Ownership Details

AG Re is a direct, wholly-owned subsidiary of AGL, a Bermuda-based holding company, which was organized in 2003. AGL's common shares are publicly traded on the New York Stock Exchange and are registered with the U.S. Securities and Exchange Commission.

e. Group Structure

The abbreviated organizational chart below shows the position of the Company within the Group as of December 31, 2024.



f. Insurance Business Written by Business Segment and by Geographical Region

The Company writes financial guaranty and other lines of reinsurance and insurance.

Financial Guaranty Business

The Company's outstanding exposure consists primarily of reinsurance of financial guaranty contracts written in insurance form. The Company also insures and reinsures some financial guaranty contracts that are in credit derivative form, including CDS. Whether written directly or assumed, the Company considers credit derivative contracts to be financial guaranty contracts. The Company also writes specialty business that is consistent with its risk profile and benefits from its financial guaranty underwriting experience.

The Company seeks to limit its exposure to losses by underwriting obligations that it views to be investment grade at inception, diversifying its insured portfolio across sector and geography and, in the structured finance portfolio, generally requires subordination or collateral to protect it from loss. Reinsurance may be used in order to reduce net exposure to certain insured transactions.

Public finance obligations assumed by the Company primarily consist of general obligation bonds supported by the taxing powers of U.S. state or municipal governmental authorities, as well as tax-supported bonds, revenue bonds and other obligations supported by covenants from state or municipal governmental authorities or other municipal obligors to impose and collect fees and charges for public services or specific infrastructure projects. The Company also includes within public finance obligations those obligations backed by the cash flow from leases or other revenues from projects serving substantial public purposes, including utilities, toll roads, healthcare facilities and government office buildings. The Company also includes

within public finance obligations similar obligations issued by U.S. and non-U.S. sovereign and sub-sovereign issuers and governmental authorities.

Structured finance obligations assumed by the Company are generally issued by special purpose entities and backed by pools of assets having an ascertainable cash flow or market value or other specialized financial obligations. The Company's specialty business not executed in financial guaranty form has risk profiles similar to those of its structured finance exposures written in financial guaranty form.

Financial Guaranty Portfolio Summary

	As of December 31, 2024			As of December 31, 2023		
	GPO	Ceded to Non-Affiliated Reinsurers	NPO	GPO	Ceded to Non-Affiliated Reinsurers	NPO
	(in thousands)					
Public finance	\$ 56,196,959	\$ —	\$ 56,196,959	\$ 54,696,266	\$ —	\$ 54,696,266
Structured finance	4,995,113	400,000	4,595,113	4,278,271	300,000	3,978,271
Total	<u>\$ 61,192,072</u>	<u>\$ 400,000</u>	<u>\$ 60,792,072</u>	<u>\$ 58,974,537</u>	<u>\$ 300,000</u>	<u>\$ 58,674,537</u>
IG (1)	\$ 58,865,980	\$ 400,000	\$ 58,465,980	\$ 57,700,519	\$ 300,000	\$ 57,400,519
BIG (1)	\$ 2,326,092	\$ —	\$ 2,326,092	\$ 1,274,018	\$ —	\$ 1,274,018

(1) Ratings on the Company's insured portfolio reflect its internal ratings.

Financial Guaranty Exposure by Geographical Area

Country / State	As of December 31, 2024		As of December 31, 2023	
	GPO	NPO	GPO	NPO
	(in thousands)			
Public finance:				
U.K.	\$ 11,505,844	\$ 11,505,844	\$ 10,011,769	\$ 10,011,769
California	7,982,305	7,982,305	8,300,375	8,300,375
Texas	5,408,455	5,408,455	4,995,342	4,995,342
Pennsylvania	3,852,330	3,852,330	3,724,626	3,724,626
New York	3,803,204	3,803,204	3,664,766	3,664,766
Other (1)	23,644,821	23,644,821	23,999,388	23,999,388
Total public finance	<u>56,196,959</u>	<u>56,196,959</u>	<u>54,696,266</u>	<u>54,696,266</u>
Structured finance (2)	<u>4,995,113</u>	<u>4,595,113</u>	<u>4,278,271</u>	<u>3,978,271</u>
Total	<u>\$ 61,192,072</u>	<u>\$ 60,792,072</u>	<u>\$ 58,974,537</u>	<u>\$ 58,674,537</u>

(1) The GPO and NPO of the Company's exposure to Puerto Rico was \$182.4 million as of December 31, 2024 and \$293.0 million as of December 31, 2023 (see below). The exposure was internally rated BIG.

(2) Primarily all structured finance exposure is in multiple states that cannot be broken out by individual state.

U.K. Regulated Utilities and European Renewable Energy

In the third quarter of 2024, the Company internally downgraded to BIG certain U.K. regulated utilities and European renewable energy transactions that are experiencing operational strain, high financing costs and/or other capital constraints.

Puerto Rico

All of the Company's exposure to the Commonwealth and its various authorities and public corporations is assumed reinsurance and rated BIG. Puerto Rico net par and net debt service outstanding as of December 31, 2024 were \$182.4 million and \$226.9 million respectively, compared with net par and net debt service outstanding as of December 31, 2023 of \$293.0 million and \$412.6 million, respectively. In 2024, AG satisfied its remaining direct Puerto Rico Highways and Transportation Authority obligations, which contributed to the decrease of such exposure.

Defaulting Puerto Rico Exposure

As of December 31, 2024, the only unresolved outstanding reinsured Puerto Rico exposure subject to a payment default was PREPA for which net par and debt service outstanding were \$154.3 million and \$187.2 million, respectively. As of December 31, 2023, the Company's PREPA net par and debt service outstanding were \$179.6 million and \$220.9 million, respectively. The PREPA bonds are secured by a lien on the net revenues of the electric system. The default of PREPA's obligations has been the subject of restructuring negotiations, mediation and litigation since 2014.

Puerto Rico Litigation

Currently, there are numerous legal actions relating to defaults by PREPA on debt service payments and related matters and AG is a party to a number of them. AG has taken legal action, and may take additional legal action in the future, to enforce its rights with respect to the remaining Puerto Rico obligations which AG insures. In addition, the Commonwealth, the FOMB and others have taken legal action naming AG as a party.

Certain legal actions involving AG and relating to defaults by the Commonwealth and its authorities and public corporations were resolved in 2022. The remaining proceedings relate to PREPA's default, including recently active proceedings and a number of proceedings that remain stayed pending the Federal District Court of Puerto Rico determination on the FOMB PREPA Plan.

PREPA – Current Proceedings

On April 8, 2022, the Federal District Court of Puerto Rico issued an order appointing three U.S. Bankruptcy Judges as members of a PREPA mediation team. The Federal District Court of Puerto Rico also entered a separate order establishing the terms and conditions of mediation.

Plan of Adjustment and Disclosure Statement. The FOMB which was established under the PROMESA filed an initial plan of adjustment and disclosure statement for PREPA with the Federal District Court of Puerto Rico on December 16, 2022. On November 17, 2023, the Federal District Court of Puerto Rico approved the supplemental disclosure statement (Supplemental Disclosure Statement) supporting the PREPA plan of adjustment filed by the FOMB (as amended or modified from time to time). The Supplemental Disclosure Statement and the FOMB PREPA Plan are based on the PREPA fiscal plan certified by the FOMB on June 23, 2023. The confirmation hearing for the FOMB PREPA Plan occurred in March 2024. At the end of the hearing, the Federal District Court of Puerto Rico stated that it was taking the confirmation of the FOMB PREPA Plan under advisement. In light of the decision by the First Circuit described below in the next subcaption, in March 2025 the Federal District Court of Puerto Rico ordered the parties to propose an agreed proposal or competing proposals for a litigation schedule for resolving certain key issues related to PREPA bondholders' claims prior to a further FOMB PREPA Plan confirmation hearing and, on March 13, 2025, the parties submitted competing proposals. At an Omnibus Hearing held on March 19, 2025, the Federal District Court of Puerto Rico indicated that it would allow litigation on the administrative expense claims of the bondholders, including AG, and that the parties could revisit the possibility of at a later time. On March 28, 2025, the FOMB filed its Fifth Amended Title III Plan of Adjustment and related Disclosure Statement for informational purposes of the parties, as directed by the Federal District Court of Puerto Rico at the March 19, 2025 Omnibus Hearing.

Lien Challenge Adversary Proceeding and Appeal. On March 22, 2023, the Federal District Court of Puerto Rico held that the PREPA bondholders had perfected liens only in revenues that had been deposited in the sinking fund established under the PREPA trust agreement and related funds over which the bond trustee had control but did not have a lien on future revenues until deposited in those funds. The Federal District Court of Puerto Rico also held, however, that PREPA bondholders do have recourse under the PREPA trust agreement in the form of an unsecured net revenue claim. At that time, the Federal District Court of Puerto Rico declined to value the unsecured net revenue claim or the method for its determination. The ultimate value of the claim, according to the Federal District Court of Puerto Rico, should be determined through a claim estimation proceeding.

On June 26, 2023, the Federal District Court of Puerto Rico issued an opinion and order estimating the unsecured net revenue claim to be \$2.4 billion as of July 3, 2017. Subject to their appeal of the Federal District Court of Puerto Rico's ruling on the scope of lien, PREPA bondholders had sought an unsecured net revenue claim of approximately \$8.5 billion.

On November 28, 2023, the Federal District Court of Puerto Rico finally adjudicated all claims and counterclaims in the PREPA lien challenge adversary proceeding.

On November 30, 2023, AG filed a notice of appeal with the First Circuit for portions of the March 22, 2023 decision, including the lien scope ruling and the need for a claim estimation proceeding, as well as the June 26, 2023 claim estimation ruling. On June 12, 2024, the First Circuit held that bondholders have a claim against PREPA for the full principal amount of the bonds, plus matured interest, that there was no need for a claim estimation proceeding because the PREPA bonds specify the amount that PREPA legally owes bondholders, and that the claim is secured by PREPA's net revenues, including future net revenues.

The FOMB asked the First Circuit to reconsider its determination that bondholders' security interest in future net revenues is perfected twice, once on June 26, 2024, and again on November 27, 2024. The First Circuit denied both requests, with the most recent denial published on December 31, 2024.

PREPA Mediation and Stayed Proceedings

On July 10, 2024, the Federal District Court of Puerto Rico ordered the FOMB and bondholders to resume mediation and instituted a 60-day stay of all PREPA litigation. The Federal District Court of Puerto Rico most recently extended the PREPA litigation stay through March 24, 2025 and the term of mediation through April 30, 2025. Following the Omnibus Hearing held on March 19, 2025, the Federal District Court of Puerto Rico partially lifted the PREPA litigation stay and scheduled litigation by bondholders, including AG, to pursue their administrative expense claims and limited other matters, and indicated that the PREPA litigation stay otherwise remains in place for the time being.

The following proceedings involving AG, the Company's ceding insurer, and relating to the default by PREPA remain stayed in the Federal District Court of Puerto Rico pending its determination on the FOMB PREPA Plan:

- AG motion to compel the FOMB to certify the PREPA restructuring support agreement executed in May 2019 PREPA RSA for implementation under Title VI of PROMESA.
- AG motion to dismiss PREPA's Title III Bankruptcy proceeding or, in the alternative, to lift the PROMESA automatic stay to allow for the appointment of a receiver.
- Adversary complaint by certain fuel line lenders of PREPA against AG, among other parties, including various PREPA bondholders and bond insurers, seeking, among other things, declarations that there is no valid lien securing the PREPA bonds unless and until such lenders are paid in full, as well as orders subordinating the PREPA bondholders' lien and claims to such lenders' claims, and declaring the PREPA RSA null and void.
- AG motion to intervene in lawsuit by the retirement system for PREPA employees against, among others, the FOMB, PREPA, the Commonwealth, and the trustee for PREPA bondholders seeking, among other things, declarations that there is no valid lien securing the PREPA bonds other than on amounts in the sinking funds, and order subordinating the PREPA bondholders' lien and claim to the PREPA employees' claims.

Non-Defaulting Puerto Rico Exposure

As of December 31, 2024 and December 31, 2023, the Company had approximately \$14.6 million and \$18.5 million, respectively, of remaining non-defaulting Puerto Rico net par outstanding related primarily to the MFA. The MFA exposures are secured by a lien on local tax revenues and remain current on debt service payments.

Specialty Business

The Company, through AGRO, also guarantees specialty business with risk profiles similar to those of its structured finance exposures written in financial guaranty form.

Specialty Business

	As of December 31, 2024		As of December 31, 2023	
	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure
	(in thousands)			
Diversified real estate (1)	\$ 2,004,252	\$ 2,004,252	\$ 1,569,397	\$ 1,569,397
Insurance securitizations (2)	1,449,456	1,126,618	1,370,393	1,043,418
Pooled corporate obligations	867,600	867,600	487,600	487,600
Aircraft RVI	146,925	86,671	355,101	200,048

- (1) Excess-of-loss guaranty of a minimum amount of billed rent on a diversified portfolio of real estate properties with an internal rating of AAA that matures in 2044. This guaranty is accounted for in accordance with Accounting Standards Codification 460, *Guarantees*.
- (2) The insurance securitizations exposure is projected to reach \$1.5 billion gross and \$1.2 billion net in 2025 due to accretion.

All exposures in the table above are rated IG, except for aircraft RVI gross and net exposure of \$5.3 million as of December 31, 2024, and gross exposure of \$143.9 million and net exposure of \$83.9 million as of December 31, 2023.

PVP (New Business)

PVP, the Company's key non-GAAP metric for new business production, is defined as gross upfront and installment premiums received and the present value of gross estimated future installment premiums and fees, on contracts written in the current year, discounted at the approximate average pre-tax book yield of fixed-maturity securities purchased during the prior calendar year. The Company believes PVP is a useful measure for management and other users of the financial statements because it enables the evaluation of the value of new business production by the Company by taking into account the value of estimated future installment premiums on all new contracts underwritten in a reporting period.

New Business Written

Sector	Year Ended December 31,					
	2024			2023		
	Gross Exposure Written (1)	PVP	Number of Transactions	Gross Exposure Written (1)	PVP	Number of Transactions
	(in thousands, except number of transactions)					
Financial guaranty	\$ 7,225,124	\$ 97,674	1,012	\$ 5,152,351	\$ 100,028	914
Specialty Business	1,384,222	15,799	5	2,206,628	49,557	3
Total	<u>\$ 8,609,346</u>	<u>\$ 113,473</u>	<u>1,017</u>	<u>\$ 7,358,979</u>	<u>\$ 149,585</u>	<u>917</u>

- (1) Represents gross par written for financial guaranty insurance and gross exposure written for several specialty transactions, including an excess-of-loss guaranty of a minimum amount of billed rent on a diversified portfolio of real estate properties.

g. Performance of Investments & Material Income & Expenses for the Reporting Period

The table below presents the results of operations of the Company on a consolidated basis.

Consolidated Statements of Operations

	Year Ended December 31,	
	2024	2023
	(in thousands)	
Revenues		
Net earned premiums	\$ 96,363	\$ 81,322
Net investment income	53,955	54,027
Net realized investment gains (losses)	(576)	(2,050)
Fair value gains (losses) on credit derivatives	6,831	20,362
Foreign exchange gains (losses) on remeasurement	(5,329)	8,087
Change in assumed funds held with affiliates	7,926	21,045
Other income (loss)	4,102	9,303
Total revenues	163,272	192,096
Expenses		
Loss and LAE (benefit)	(2,329)	50,818
Amortization of deferred acquisition costs	27,440	23,373
Employee compensation and benefit expenses	12,962	12,798
Other operating expenses	9,420	6,568
Total expenses	47,493	93,557
Income (loss) before income taxes and equity in earnings (losses) of investees	115,779	98,539
Equity in earnings (losses) of investees	1,047	—
Income before income taxes	116,826	98,539
Provision (benefit) for income taxes	18,360	(184,948)
Net income	\$ 98,466	\$ 283,487

Material Income and Expenses

The Company's main sources of income relate to investment income and earned premiums on its outstanding book of business and the majority of the Company's expenses relate the amortization of deferred acquisition costs.

On December 27, 2023 the Bermuda government enacted a corporate income tax at the rate of 15% which applies for accounting periods starting on or after January 1, 2025. The enactment of the corporate income tax regime required the Company to recognize Bermuda deferred taxes for the first time in the fourth quarter of 2023. An ETA equal to the difference between the fair market value and the carrying value of assets and liabilities of the Company and its Bermuda insurance subsidiary as of September 30, 2023 resulted in the establishment of a deferred tax asset and corresponding benefit of \$188.8 million reported in the fourth quarter of 2023 consolidated statements of operations. The ETA is expected to be utilized over 10 to 15 years, beginning in 2025. Refer to *Section iv, Solvency Valuation* for how the deferred tax asset is valued in the economic balance sheet.

Investments

The Company's investment strategy focuses on establishing a highly liquid, diversified investment portfolio of high credit quality managed by an external investment manager. Investments are typically held to maturity, therefore, the Company's preferred measure of investment return is book yield, which was approximately 4.1% at December 31, 2024.

The portfolio primarily consists of fixed-maturity securities and short-term investments. The overall duration of the investment portfolio at December 31, 2024 was 4.5 years (2023: 4.3 years) and the average credit quality was A+ (2023: A+).

The following tables present the investment portfolio by asset class, contractual maturity, and return.

**Investment Portfolio
by Asset Class**

Asset Class	As of December 31, 2024		As of December 31, 2023	
	Estimated Fair Value	Weighted Average Credit Rating(1)	Estimated Fair Value	Weighted Average Credit Rating(1)
	(in thousands)			
Fixed-maturity securities:				
Corporate securities	\$ 614,218	A	\$ 648,981	A
Obligations of state and political subdivisions	263,587	AA	259,594	AA
RMBS	181,255	AA+	147,832	AA+
CMBS	34,043	AAA	70,015	AAA
Asset-backed securities	43,106	BBB+	47,144	BBB+
U.S. government and agencies	16,992	AA+	22,071	AA+
Non-U.S. government securities	221	AA	227	AA-
Total fixed-maturity securities	1,153,422	A+	1,195,864	A+
Short-term investments	92,437	AAA	79,313	AAA
Total fixed-maturity and short term investment portfolio	\$ 1,245,859	A+	\$ 1,275,177	A+

- (1) Ratings in the table above represent the lower of the Moody's and S&P classifications. The Company's portfolio consists primarily of high-quality, liquid instruments.

**Distribution of Fixed-Maturity Securities
by Contractual Maturity
As of December 31, 2024**

	Estimated Fair Value (in thousands)
Due within one year	\$ 99,018
Year two	59,910
Year three	55,439
Year four	74,327
Year five	50,361
Due after five years through 10 years	325,702
Due after 10 years	273,367
RMBS	181,255
CMBS	34,043
Total	\$ 1,153,422

Investment Return

	Year Ended December 31,	
	2024	2023
	(in thousands)	
Investment income:		
Fixed-maturity securities:		
Corporate securities	\$ 25,714	\$ 22,515
Obligations of state and political subdivisions	9,567	11,283
RMBS	6,938	5,696
CMBS	1,520	3,686
Asset-backed securities	3,337	3,186
U.S. government and agencies	624	437
Non-U.S. government securities	10	10
Total fixed-maturity securities	47,710	46,813
Short-term investments	6,214	6,077
Other	—	789
Interest income from loan receivable from affiliate	1,000	1,282
Gross investment income	54,924	54,961
Investment expenses and charges	(969)	(934)
Net investment income	53,955	54,027
Net realized investment gains (losses)	(576)	(2,050)
Total investment return	<u>\$ 53,379</u>	<u>\$ 51,977</u>

As of December 31, 2024, the Company had one equity method investment in a managed fund with a carrying value of \$5.7 million. The unfunded commitment related to this managed fund was \$4.9 million as of December 31, 2024.

Net Earned Premiums

Net earned premiums were \$96.4 million in 2024 (2023: \$81.3 million), increasing year on year primarily as a result of more accelerations from refundings and terminations in 2024 compared to 2023 and higher scheduled net earned premiums on the financial guaranty insurance and specialty lines of business. The breakdown is as follows:

Net Earned Premiums

	Year Ended December 31,	
	2024	2023
	(in thousands)	
Financial guaranty insurance:		
Scheduled net earned premiums	\$ 66,172	\$ 63,109
Accelerations from refundings and terminations	13,174	5,664
Accretion of discount on net premiums receivable	9,481	8,258
Financial guaranty insurance net earned premiums	88,827	77,031
Specialty net earned premiums	7,536	4,291
Net earned premiums	<u>\$ 96,363</u>	<u>\$ 81,322</u>

Change in Assumed Funds Held with Affiliates

Change in assumed funds held with affiliates relates primarily to the assumed portion of the Affiliated Ceding Companies' net realized investment gains (losses) and fair value gains (losses) on trading securities associated with salvage received by the Affiliated Ceding Companies in the form of investments from the resolutions of certain Puerto Rico exposures in 2022.

Expenses

Loss and loss adjustment benefit was \$2.3 million in 2024 (2023: expense of \$50.8 million). There were higher losses last year related to certain U.S. public finance exposures and deterioration related to certain insurance securitization exposures and in 2024 deterioration related to non-U.S. public finance was more than offset by improvements in structured finance, including U.S. RMBS and insurance securitization exposures.

h. Any Other Material Information**Guaranty**

AG Re unconditionally and irrevocably guarantees the due, complete and punctual payment of all obligations and liabilities of AGRO (the “Guaranteed Obligations”). The holders of the Guaranteed Obligations are made third-party beneficiaries and may directly claim upon and enforce the obligations of AG Re under such guaranty as provided therein. AGRO has not made any demand to AG Re under this guaranty.

ii. GOVERNANCE STRUCTURE

This section of the FCR describes the principal components of the Company's management and governance structure, including its risk management processes.

a. Board and Senior Executive

i. Board and Senior Executive Structure, role, responsibilities and segregation of responsibilities.

AG Re's affairs are managed by its Board and officers in Bermuda in accordance with the Code of Conduct and AG Re's Bermuda Operating Guidelines. The Code of Conduct requires Bermuda insurers to establish and maintain a comprehensive corporate governance and risk management framework and to be able to evidence the same, based generally on a principle of proportionality. The Board has the ultimate responsibility for the sound and prudent governance and oversight of the Company. The Board is responsible for ensuring that AG Re's business (along with its corporate governance policies and practices) is effectively directed, managed and conducted in a sound and prudent manner, with integrity, due care and the professional skills that are relative to the nature, scale and complexity of its business.

The Board is responsible for setting appropriate strategies and policies, and for providing suitable prudential oversight of AG Re's risk management and internal controls framework. In carrying out their duties, AG Re's directors will act in accordance with all relevant and applicable legislative and regulatory rules, including the Insurance Act and the Companies Act, in particular, as well as with AG Re's own Bermuda Operating Guidelines and constitutional framework (e.g., its bye-laws).

The Board generally convenes quarterly at AG Re's office in Bermuda and on an *ad hoc* basis as required.

The members of the Board are comprised of members of senior management of AG Re or AGL, or other qualified individuals, in each case, who have been selected by AGL, in its capacity as the sole member of AG Re in accordance with AG Re's and AGL's Bye-Laws.

The directors and officers of, and other appointed persons providing services to, AG Re are detailed below:

Directors

Robert Bailenson
Gary Burnet
Ling Chow (Non-executive Deputy Chair)
Stephen Donnarumma
Dominic Frederico (Non-executive Chair)
Darrin Futter
Jorge A. Gana
Holly Horn
Benjamin Rosenblum
Walter Scott

Officers

Conyers Corporate Services (Bermuda) Limited
Gary Burnet
Darrin Futter
Coenraad Scheepers
Serena Smith

Secretary
President
Vice President and Financial Controller
Assistant Vice President, Underwriting
Vice President, Surveillance

Principal Representative

Gary Burnet

Loss Reserve Specialist

Daniel Jaeger

Chief Information Security Officer

Sherman Tsui

Privacy Officer

Dana Damiani

Additionally, the Board has established and maintains oversight over a Loss Reserve Committee responsible for setting the technical provisions and reserve risk for the Company; and a Credit Committee to implement standards, controls, guidelines and procedures for the evaluation of, and to evaluate and approve, all transactions proposed to be entered into by the Company, in a manner consistent with its Risk Appetite Statement.

ii. Remuneration Policy

The description of the remuneration policy contained herein applies (i) to employees of AG Re, and (ii) employees of AGL and other affiliates in the Group, including those employees who serve as directors of the Board and as the Principal Representative and Loss Reserve Specialist of AG Re. Directors and officers of AG Re who are not employees of AG Re or of affiliates within the Group are entitled to receive a fixed fee.

As noted above, AG Re's affairs are managed by its Board and officers in Bermuda. The Company also contracts with affiliates to provide certain administrative support services. Group employees providing such services to the Company are compensated in accordance with AGL's remuneration philosophy.

AGL's remuneration philosophy is grounded in the concept of attracting and retaining talented and experienced business leaders who can drive financial and strategic growth objectives intended to build long-term shareholder value in a manner consistent with AGL's risk parameters. AGL's remuneration policy is designed with the guiding principles of:

- pay for performance by providing an incentive for exceptional performance and the possibility of reduced compensation for underperformance,
- accountability for short and long-term performance,
- alignment to shareholder interests, and
- retention of highly qualified and successful employees.

The remuneration policy is designed to assess performance, using pre-established measures of success that are tied to the Group's (including the Company's) key business strategies. The policy encourages balanced performance, measured relative to financial and non-financial goals as well as measures of shareholder value, and discourages excessive risk taking or undue leverage by avoiding too much emphasis on any one metric or on short-term results.

AGL's remuneration policy rewards the performance of its senior leadership team, who are directly responsible for operational results, with a higher proportion of variable and performance-based compensation than it rewards lower-level executives. The policy employs a mix of variable at-risk compensation with different time horizons and payout forms to provide an incentive for both annual and long-term sustained performance, in order to maximize shareholder value in a manner consistent with AGL's risk parameters. Most of the remuneration of the Company's directors and most senior personnel consists of variable incentive compensation, in the form of an annual cash incentive as well as long-term equity compensation.

In developing its remuneration philosophy, AGL worked to identify areas of risk or potential for unintended consequences that could exist in the design of the philosophy and evaluated the incentive plans relative to enterprise risks. AGL believes that its remuneration philosophy is designed and administered with the appropriate balance of risk and reward in relation to the overall business strategy and does not encourage executives to take unnecessary or excessive risks that could have a material adverse impact on AGL and its subsidiaries, including the Company.

Remuneration consists of three principal elements: base salary, cash incentive remuneration and long-term incentive compensation. The Company's remuneration policy is structured with upside potential for superior achievements, but also the possibility of reduced remuneration if individuals are unable to successfully execute group strategies or meet their business or regulatory obligations. The Chief Executive Officer of AGL, certain other officers of AGL and those individuals with a title of managing director or above who report directly to the Chief Executive Officer are subject to a recoupment (clawback) policy pursuant to which certain of their remuneration may be rescinded or recouped if such person engages in misconduct, there is a

material restatement of AGL's financial statements or such remuneration is calculated based on objectively quantifiable performance goals, and the achievement of those goals is later determined to have been overstated.

iii. Pension or Early Retirement Schemes for Members, Board and Senior Employees

The Company participates in defined contribution retirement plans maintained by AGL, which are available to eligible full-time employees upon hire. Bermuda national employees are required to contribute 5% of their eligible compensation into the Bermuda Retirement Plan which are matched by the Company at a rate of 100%. Bermuda national employees may also contribute an additional 1% of their eligible compensation into the International Retirement Plan which are matched by the Company at a rate of 100%. International employees based in Bermuda may contribute up to 6% of their eligible compensation into the International Retirement Plan which are matched by the Company at a rate of 100%. The Company also makes a core contribution of 6% of the employee's eligible compensation to the International Retirement Plan, regardless of whether the employee otherwise contributes to the plan. Employees become fully vested in Company contributions after one year of service, as defined in the plans. The Company recognized defined contribution expenses of \$1.1 million and \$1.0 million for the years ended December 31, 2024 and December 31, 2023, respectively.

The Company's U.S. affiliate, AG Services, also maintains defined contribution retirement plans. Employees of AG Services who serve as directors of, or other appointed persons providing services to, the Company are entitled to participate in AG Services' retirement plans. AG Services maintains a savings incentive plan, which is qualified under Section 401(k) of the Internal Revenue Code for U.S. employees. The savings incentive plan is available to eligible full-time employees upon hire. Eligible participants could contribute a percentage of their eligible compensation subject to U.S. Internal Revenue Service (IRS) limitations. AG Services' matching contribution is an amount equal to 100% of each participant's contributions up to 7% of such participant's eligible compensation, subject to IRS limitations. Certain eligible participants may also contribute a percentage of eligible compensation over the IRS limitations to a nonqualified supplemental executive retirement plan. AG Services' matching contribution in the nonqualified plan is an amount equal to 100% of each participant's contributions up to 6% of participant's eligible compensation above the IRS limitations for the qualified plan. AG Services also makes core contributions of 7% of the participant's eligible compensation to the qualified plan, subject to IRS limitations, regardless of whether the employee otherwise contributes to the plan, and a core contribution of 6% of the participant's eligible compensation above the IRS limitations for the qualified plan to the nonqualified plan for eligible employees. Employees become fully vested in AG Services contributions to the qualified and nonqualified plans after one year of service, as defined in the plan (or upon reaching age 65 for the nonqualified plan, if earlier).

Neither the Company nor any other member of the Group provides any supplementary pension or retirement schemes for non-Group employees who serve as members of the Board or Company officers or other representatives.

iv. Shareholder Controllers, Persons who Exercise Significant Influence, the Board or Senior Executive Material Transactions

In accordance with AGL's bye-laws, if AGL is required or entitled to vote at a general meeting of AG Re, AGL's directors must refer the matter to the shareholders of AGL and seek authority from AGL's shareholders for AGL's representative or proxy to vote in favor of the resolution proposed by AG Re. AGL's directors must cause AGL's representative or proxy to vote AGL's shares in AG Re pro rata to the votes received at the general meeting of AGL and AGL's Board has a discretionary power under AGL's bye-laws to resolve any ambiguity in this regard.

In 2024, the Company paid dividends of \$97.4 million.

AG Re and its parent, AGL, are parties to the Bermuda Service Agreement. AG Re's affiliate, AG Services, a Delaware corporation, acts as the payroll company and employer for U.S. personnel, and the central, dedicated service provider within the Group. Under the Bermuda Service Agreement, AG Services' employees make certain services available to AG Re and AGL, as applicable and as needed and requested by such companies, including, but not limited to, insurance, investor relations, actuarial, data collection and analysis, claims related services, legal, information technology, human resources, accounting, tax, financial reporting, regulatory and investment planning services. In addition, AGL employees make certain services available to AG Services and AG Re as applicable and as needed and requested by such companies, including, but not limited to, executive management, general corporate strategy, risk management and investor relations services. Expenses under the Bermuda Service Agreement are allocated directly where appropriate and, where not appropriate, based upon an allocation of employee time and corresponding office overhead. The agreement also provides for quarterly settlements and an express right of offset with regard to amounts owing between parties under the Bermuda Service Agreement and other agreements between such parties. AG Re allocates a portion of the rent to its parent company, AGL.

b. Fitness and Propriety Requirements

i. Fit and Proper Process in assessing the Board and Senior Executives

In connection with AG Re's annual general meeting, AG Re assesses the fitness and propriety of all of its Board members, officers, Principal Representative and Loss Reserve Specialist to confirm, prior to their appointment or reappointment, that all such individuals possess appropriate qualifications and experience to perform their designated role(s) and responsibilities.

ii. Board and Senior Executives Professional Qualifications, Skills and Expertise

AG Re ensures that all Board members and executive officers possess the characteristics set out below, and therefore are able to provide competent and prudent management through their professional qualifications, knowledge, experience and integrity.

- relevant qualifications and experience for each position,
- sound judgment,
- understanding of the financial guaranty and other relevant insurance businesses,
- honesty and integrity,
- a good reputation,
- competency and capacity to perform key functions, and
- financial soundness.

Below are details of the Board and executive officer qualifications, skills and experience:

Dominic J. Frederico has been a director of AGL since its 2004 initial public offering, and the President and Chief Executive Officer of AGL since December 2003. Mr. Frederico served as Vice Chairman of ACE Limited from 2003 until 2004 and served as President and Chief Operating Officer of ACE Limited and Chairman of ACE INA Holdings, Inc. from 1999 to 2003. Mr. Frederico was a director of ACE Limited from 2001 through May 2005. From 1995 to 1999 Mr. Frederico served in a number of executive positions with ACE Limited. Prior to joining ACE Limited, Mr. Frederico spent 13 years working for various subsidiaries of the American International Group. His last position at the group was Senior Vice President and Chief Financial Officer of AIG Risk Management. Mr. Frederico currently serves as a Director and Chair of the Board of AG Re and AGRO.

Robert A. Bailenson has been the Chief Operating Officer of AGL since January 1, 2024. Mr. Bailenson has been with Assured Guaranty and its predecessor companies since 1990. Mr. Bailenson was Chief Financial Officer of AGL from June 2011 through December 2023. Prior to that, Mr. Bailenson became Chief Accounting Officer of AG in 2003, of AGL in May 2005, and of AGM in July 2009, and served in such capacities until May 2019. He was Chief Financial Officer and Treasurer of AG Re from 1999 until 2003 and was previously the Assistant Controller of Capital Re Corp., the Company's predecessor. Mr. Bailenson currently serves as a Director of AG Re and AGRO, as well as Chief Operating Officer of AGRO.

Benjamin G. Rosenblum has been Chief Financial Officer of AGL since January 1, 2024. Prior to that, Mr. Rosenblum was Chief Actuary of AGL from 2021 through December 2023, and also Chief Actuary of AGM (until its merger with and into AG) and AG from December 2010 to October 2024. He joined Assured Guaranty in 2004, responsible for the loss reserve function at AGRE and AGRO, later assuming the same responsibilities at AGUK and AGE. He became a Senior Managing Director in 2015, and has been in charge of accounting and financial reporting since 2019.

Ling Chow has been General Counsel and Secretary of AGL since January 1, 2018. She is responsible for legal affairs and corporate governance at the Company, including its litigation and other legal strategies relating to distressed credits, and its corporate, compliance, regulatory and disclosure efforts. She is also responsible for the Assured Guaranty's human resources function. Ms. Chow began her tenure at the Company in 2002 as a transactional attorney, working on the insurance of structured finance and derivative transactions. She previously served as Deputy General Counsel and Assistant Secretary of AGL from May 2015 and as Assured Guaranty's U.S. General Counsel from June 2016. Prior to that, Ms. Chow served as Deputy General Counsel of Assured Guaranty's U.S. subsidiaries in several capacities from 2004. Before joining Assured Guaranty, Ms. Chow was an associate at various law firms, most recently Brobeck, Phleger & Harrison LLP, where she was a senior associate responsible for transactional work associated with public and private mergers and acquisitions, venture capital investments, and private and public securities offerings. Ms. Chow currently serves as a Director and Deputy Chair of the Board of AG Re and AGRO, and also serves as the General Counsel and Assistant Secretary of AGRO.

Gary Burnet has been President of AG Re and AGRO since August 2012, and prior to that he served as the Managing Director - Chief Credit Officer of AG Re from 2006 until his appointment as President. Mr. Burnet also served as the Vice President - Risk Management and Operations of AG Re from 2002 to 2005. Prior to joining Assured Guaranty, Mr. Burnet's previous experience included two years at ACE Asset Management, where he was Investment Officer with responsibility for developing and modeling the ACE group's consolidated investment and insurance credit risk. Prior to ACE Asset Management, he was an Assistant Vice President-Investments at ACE Bermuda. Mr. Burnet trained as a Chartered Accountant with Geoghegan & Co. CA from 1993 to 1996 in Edinburgh, Scotland and also worked as an audit senior for Coopers & Lybrand from 1996 to 1998 in Bermuda. Mr. Burnet currently serves on the Board of Directors and as President as well as the Principal Representative of AG Re and AGRO.

Jorge A. Gana has been Chief Risk Officer of AGL and Chair of the U.S. Risk Management and Portfolio Risk Management Committees since January 1, 2023. Mr. Gana also maintains primary responsibility for the environmental aspect of Assured Guaranty's ESG efforts. Prior to that, Mr. Gana served as Deputy Chief Risk Officer of AGM and AG. Mr. Gana joined Assured Guaranty in 2005 as a Director in structured finance. Over the years, Mr. Gana has held a number of positions at Assured Guaranty, including Managing Director, Structured Finance at AG, Senior Managing Director of Workouts and Government & Corporate Affairs at AGM and AG, and chair of AGM's and AG's Workout Committees. Mr. Gana continues to serve as a voting member of AG's Credit and Workout Committees. Prior to joining Assured Guaranty, Mr. Gana served as a Director of Global Commercial Asset Securitization for XLCA (now Syncora). Prior to XLCA, Mr. Gana worked at Natexis Banques Populaires (now Natixis) and at Banco Santander in global capacities dealing with credit and risk, managing investment portfolios, originating complex transactions, and issuing repackaged debt. Mr. Gana also worked for the Chile Economic Development Agency, New York Office, and as Editor of the Chile Economic Report until 1996. Mr. Gana currently serves on the Board of Directors of AG Re and AGRO.

Holly L. Horn has been Chief Surveillance Officer of AGL and AG since January 2022. Prior to that, Ms. Horn served as AGM's and AG's Chief Surveillance Officer, Public Finance where she was responsible for ongoing surveillance, monitoring and loss mitigation of municipal risks insured by the Company across all sectors of the municipal market. She joined AGM in 2003 as a director in the health care underwriting group, where she was responsible for analyzing and recommending the insurability of health care credits. She also served as a director in AGM's health care surveillance group. Ms. Horn began her public finance career at Inova Health System, a nationally ranked integrated health care delivery system, and subsequently served as a senior manager for the national health care strategy practice at Ernst & Young. Ms. Horn currently serves on the Board of Directors of AG Re and AGRO.

Stephen Donnarumma was appointed as a director of AG Re on September 11, 2012. Mr. Donnarumma has been the Chief Credit Officer of AG since 2007, of AGM from 2009 until its merger with and into AG in 2024. Mr. Donnarumma joined Assured Guaranty in 1993 and has held a number of positions over the years, including Deputy Chief Credit Officer of AGL, Chief Operating Officer and Chief Underwriting Officer of AG Re, Chief Risk Officer of AG, and Senior Managing Director, Head of Mortgage and Asset-backed Securities of AG. Prior to joining Assured Guaranty, Mr. Donnarumma was with Financial Guaranty Insurance Company from 1989 until 1993, where his responsibilities included underwriting domestic and international financial guaranty transactions. Prior to that, he served as a Director of Credit Risk Analysis at Fannie Mae from 1987 until 1989. Mr. Donnarumma was also an analyst with Moody's from 1985 until 1987. Mr. Donnarumma currently serves as a Director of AG Re and AGRO.

Darrin Futter was elected Financial Controller of AG Re and AGRO in 2007 and appointed as a director of AG Re and AGRO on May 27, 2021. Prior to joining Assured Guaranty, he worked for Deloitte Ltd. in the Bermuda office and worked as a consultant to AG Re. Mr. Futter has worked in various senior audit roles with Ernst and Young LLP in the U.S. and KPMG in Zimbabwe, where he completed his Articles of Clerkship in 2000. He holds a Bachelor of Accounting Science (Hon.) degree from the University of South Africa and is also a Chartered Accountant and a member of the Institute of Chartered Accountants of Zimbabwe.

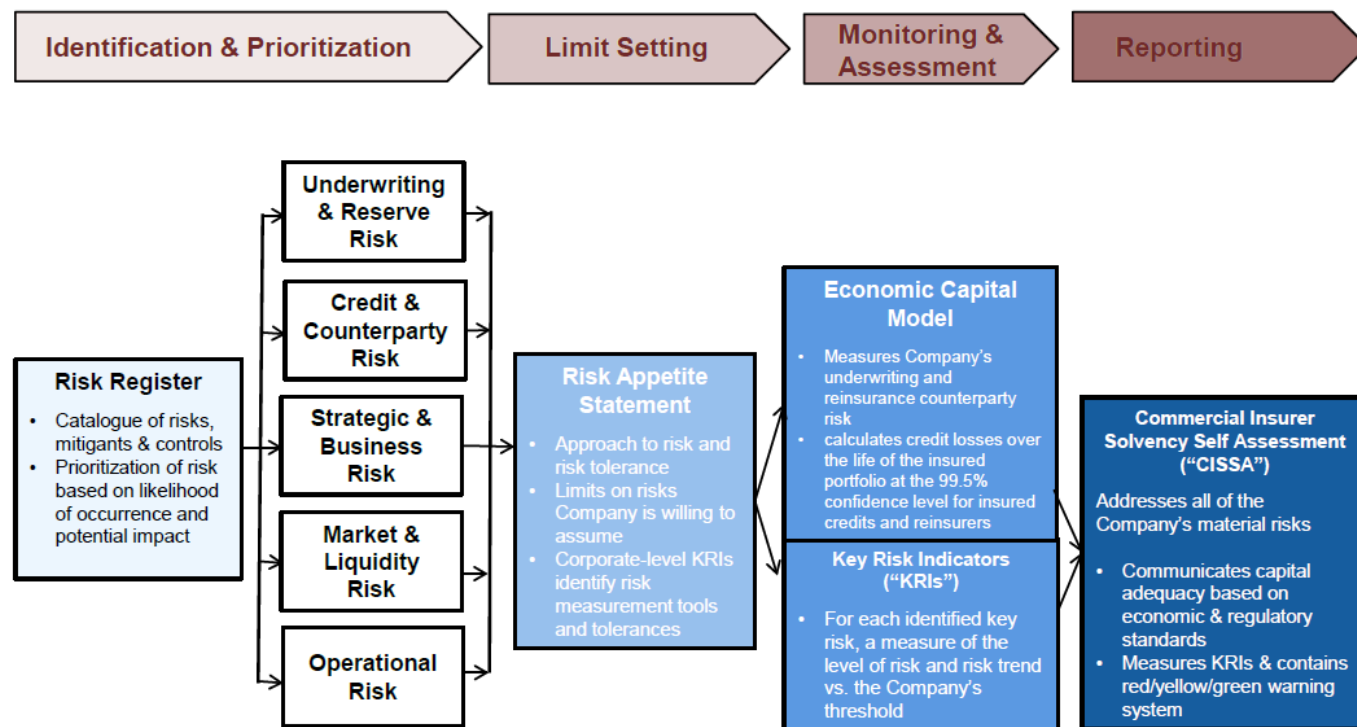
Walter A. Scott was the Chairman of the AGL Board of Directors from May 2005 until his retirement in May 2013, and a director of AGL from 2004 through 2013. Mr. Scott was Chairman, President and Chief Executive Officer of ACE Limited (ACE) from 1991 until his retirement in 1994, and President and Chief Executive Officer of ACE from 1989 to 1991. Subsequent to his retirement he served as a consultant to ACE until 1996. Mr. Scott was a director of ACE from 1989 through May 2005. Prior to joining ACE, Mr. Scott was President and Chief Executive Officer of Primerica's financial services operations. Mr. Scott currently serves as the Chairman of the Board of Wachusett Brewing Company, Inc. and was also the Chairman of Vermont Hard Cider Company, LLC from 2003 until 2012, when that company was sold. Mr. Scott is an Emeritus Trustee of Lafayette College and a founding trustee of the Bermuda Foundation for Insurance Studies. Mr. Scott currently serves as an independent non-executive member of the Board of Directors of AG Re and AGRO.

c. Risk Management and Solvency Self-Assessment

Risk Management

The Board plays a critical role in enterprise risk management. The Board is responsible for addressing the linkage between risk, capital planning and business decisions. The Board oversees the creation and maintenance of the Risk Universe, Risk Appetite Statement and CISSA, the ECM and the design of stress and sensitivity testing. Regular CISSA reporting keeps management and its Board continually aware of the information needed to develop informed business strategy and capital management plans, as well as to refine the Company's risk appetite to reflect actual or potential capital constraints.

The Risk Management function, which is responsible for the operational aspects of risk management, follows the framework set out below in executing its responsibilities.



1. The Risk Universe

The Company's CISSA process begins with a complete assessment of the Company's universe of risks. The Risk Management function works with business unit leaders to ensure that all known risks are identified, and to assess the relative importance of these risks and the most effective ways to measure them. The results of the risk identification process are documented in the Company's Risk Universe which provides, for each risk, the risk indicators or drivers; the likelihood of the risk occurring and its impact, both as an inherent risk and a residual risk, i.e., after consideration of controls and risk mitigants in place at the Company to minimize the risk; and the area responsible for the risk. The Risk Universe is updated by the Risk Management function annually. The Risk Universe is subject to review, challenge and approval by the Board.

2. The Risk Appetite Statement

The Company's Risk Appetite Statement describes the types of risks the Company is willing to accept and sets forth risk tolerances as appropriate. The Risk Appetite Statement prohibits the execution of certain kinds of transactions and sets certain portfolio concentration limits. The risk management function updates the Risk Appetite Statement annually, and it is subject to review, challenge and approval by the Board.

3. The Key Risk Indicators

The CISSA process includes a series of KRIs, which are measured quarterly, that were developed in consultation with the business unit managers throughout the Company to ensure that they both properly capture the Company's material risks as

set forth in the Risk Universe and use effective techniques for risk measurement. The KRIs are prioritized by the likelihood of the risk occurring over the Company's business planning horizon or beyond, and the potential severity of the impact that each risk would have on the Company if it were to occur. The Company reviews and updates its KRIs at least annually to ensure that they continue to provide a relevant, appropriate and comprehensive assessment of the Company's risk.

4. CISSA Capital Requirement & ECM

To calculate what it believes to be its true economic risk for its CISSA, the Company calculates its own internal CISSA capital requirement. The CISSA capital requirement employs a model created by the Company, its ECM, to measure its key risk: underwriting risk. The Company's ECM was designed to measure the Company's underwriting risk, by calculating projected stress losses across the portfolio in a 1-in-200 lifetime loss scenario (the 99.5% lifetime value-at-risk). The CISSA capital requirement uses the Standard Formula for calculation of its less material risks: market & liquidity risks and operational risks.

The Risk Management function is responsible for the design, testing, validation and implementation of the Company's CISSA capital requirement, including its ECM. In designing parameters and assumptions for the ECM, Risk Management consulted with senior managers throughout the Company (and its ceding companies). At the time of initial design, and from time to time and after material methodology changes, the ECM has been validated by an outside consulting firm, finding that the core methodology appeared sound and broadly in line with industry practices for credit economic capital modeling. Periodically, Risk Management works with senior managers in the Company to re-evaluate and update the CISSA capital requirement and ECM to ensure that they continue to satisfactorily address the Company's key risks.

5. CISSA Report

The Company documents the results of its management activities described above in its CISSA report, the main vehicle the Company uses to inform management and the Board about all reasonably foreseeable and relevant material risks to the Company, both quantitative and qualitative. The CISSA is intended to provide a complete picture of the Company's risk profile and capital adequacy relative to these risks; present the overall solvency needs and solvency condition of the Company taking into account its risk profile, risk appetite and business strategy; and demonstrate ongoing compliance with internal and regulatory capital requirements. The Company produces its CISSA annually, and presents it to senior management and the Board, and examines the CISSA framework and related components at least annually to ensure that they continue to properly identify and assess the Company's risks.

d. Internal Controls

The Company has put in place an effective internal control system. The Company's control framework is based upon five key components:

- *Control environment* - the overall culture is established by the Company's management and its key governance functions. The Assured Guaranty Group's Code of Ethics establishes standards by which the Company's directors, management and all personnel providing services to the Company, must abide and sets the tone for how personnel supporting the Company should conduct themselves. The Code of Ethics is available at www.assuredguaranty.com/about-us/governance. The Code of Ethics is designed to discourage personnel from engaging in activities that could jeopardize the Company's business and reputation. The Company and the Assured Guaranty Group have established a suite of entity level control processes to contribute to the establishment of an appropriate control environment;
- *Risk assessment* - each function identifies the key risks relevant to their business objectives and related processes. This allows management to implement controls where needed;
- *Control activities* - control activities are the actions that individuals are required to undertake to implement and operate the Company's internal controls to appropriately mitigate the identified risks. The effectiveness of the design and operation of internal controls is the responsibility of the control owners and management;
- *Information and communication* - information on risk and risk assessments is routinely shared within the business. Management utilizes information from both internal and external sources and assessments to support the functioning of the system of internal control, which includes the results of control effectiveness assessments; and
- *Monitoring* - the monitoring of risks and controls is primarily the responsibility of the control owners. The Internal Audit function is also responsible for assessing the effectiveness of the Company's internal controls and reporting to the Board on the effectiveness of the internal control environment.

i. Internal Control System

Financial Reporting Internal Controls

- The Company's annual financial statements are produced by the finance team, with support from the financial reporting team under the Group Service Agreement. The production process incorporates review for completeness and accuracy by senior management. The financial statements are subsequently reviewed by the Company's management prior to being presented to the Company's Board for final approval.
- Management maintains internal controls over the preparation of information contained in this report. A Disclosure Committee reviews the Company's Financial Condition Report prior to approval by the Company's Board and filing.
- The persons responsible for these controls attest that they have properly executed these controls each reporting period.
- Members of the Group's management independently review the execution of the Group's internal controls and report to the Group Board on the results of their testing.

Vendor Management Controls

- The Group has a vendor management policy that ranks vendors in terms of level of risk, and requires, for higher risk vendors, an annual review of internal control reports from those vendors.

Outsourcing Controls

- All of AG Re's outsourcing arrangements are reviewed on an annual basis by the Board and more frequently if required. Any new Group or third party outsourcing arrangements, or changes to existing Group or third party outsourcing arrangements, are reviewed and approved by AG Re's management and/or the Board, as appropriate.

IT Controls

The Company purchases IT services from its affiliate, AG Services, via the Bermuda Service Agreement and as a result utilizes the Group infrastructure, applications, data and services. The IT policies and procedures for the Company follow the Group policies and procedures as described in the IT Systems Governance Policy. IT system controls cover areas including:

- Roles and responsibilities
- Physical security
- Network security
- Access control
- Data center operations
- Employee use
- Testing
- Project management

A combination of preventive and detective controls are used to ensure the integrity, availability and confidentiality of IT systems.

ii. Compliance Function

Due to the relatively small size of the Company, the Company does not have a separate compliance department whose sole remit is monitoring compliance-related activities. The compliance function is carried out by the Company's President and Financial Controller, with oversight by the Group's General Counsel and the Group's Chief Compliance Officer and ultimately the Board. The compliance process is established on a project-by-project basis or topic-by-topic basis using Group personnel with applicable experience and outside advisors, as appropriate.

The Group's General Counsel and the Group's Chief Compliance Officer are independent from any business or operational unit. The Group's General Counsel and the Group's Chief Compliance Officer report to the Board at its quarterly meetings.

The principal activities of the compliance function are as follows:

- Developing and implementing policies, procedures and processes designed to ensure compliance with the risk management framework, legal and ethical conduct, applicable laws, rules, and standards;

- Advising the Board on compliance with applicable laws and regulations and assessing the possible impact of new laws and regulations on the Company.
- Ensuring that new regulatory rules and internal guidelines are communicated to the affected business areas and providing guidance to those business areas in respect of such requirements.
- Monitoring compliance with the Company's policies, procedures and process and reporting compliance violations or significant issues raised during the year.
- Maintaining an open dialog with the BMA, and other applicable regulators, and submitting the appropriate information to those regulators, including notice of matters that are of concern to the regulators.
- Promoting a corporate culture of compliance and integrity and developing a mechanism for employees to report confidentially concerns regarding compliance deficiencies and breaches.
- Implementing a training program for Company personnel on compliance issues and ensuring that all relevant personnel complete training on their regulatory roles and responsibilities, and on compliance with applicable laws and regulations, on a regular basis (including anti-money laundering and anti-bribery/corruption training).
- Assessing, together with the internal audit function, the adequacy and effectiveness of the Company's compliance controls.

The Group's General Counsel and the Group's Chief Compliance Officer work with the Internal Audit function to develop an internal audit plan that addresses, as appropriate, compliance by the Company with internal policies and procedures. The Internal Audit function is responsible for monitoring compliance with internal strategies, processes and reporting procedures. Refer to *Section ii.e Internal Audit* for additional information. The Company's compliance program also is integrated with the Group's compliance program, which includes (i) providing the Group's Chief Compliance Officer with an inventory of all filings due by the Company throughout the year and reporting compliance violations or significant issues raised during the year; and (ii) monitoring and reporting to the Group's Chief Compliance Officer new and/or revised laws, rules, regulations or other requirements coming into effect or being proposed that are or may be applicable to the Company or that could otherwise impact the Company's business. These items are reviewed and significant issues are discussed on a quarterly basis at Group compliance meetings and reported to the Board, as appropriate.

e. Internal Audit

The primary responsibility of the Internal Audit function is to provide the Board with an independent and objective analysis and appraisal of the efficiency and effectiveness of the Company's governance, operations and internal control systems, the accuracy of financial reporting, and compliance with applicable laws and regulations.

The Internal Audit function is segregated and staffed by persons independent from operational functions, including risk management, compliance, underwriting, actuarial, claims and finance.

The Internal Audit function's duties include:

- Developing and maintaining clearly defined charters, roles and responsibilities that are reviewed and acknowledged by the Board regularly;
- Establishing, documenting and executing the internal audit plan;
- Assessing the adequacy and effectiveness of the Company's governance, risk management policies, procedures, and controls;
- Identifying areas for improvement; and
- Reporting findings to the Board, and evaluating and monitoring the implementation of recommendations.

The internal audit plan takes into consideration the Company's nature, scale and complexity. The internal audit plan is reviewed and approved annually by the Board.

The Company has outsourced its Internal Audit function to an international public accounting firm. Internal Audit has unrestricted access to all areas and property of the organization, including personnel records, records held by third-party service providers, and also reports directly to the Board. All employees are required to assist the Internal Audit function in fulfilling their duty.

f. Actuarial Function

AG Re's Actuarial Function is supported by the Loss Reserve Specialist, who provides actuarial services to AG Re pursuant to the Bermuda Service Agreement. The Loss Reserve Specialist's responsibilities include:

- proposing loss reserves to the Loss Reserve Committee,
- coordinating the calculation, and review, of Technical Provisions and Risk Margin,
- reviewing assumptions, methods, and data used in modeling,
- contributing to risk modeling, and
- identifying and proposing recommendations regarding any deficiencies in the above areas.

The Loss Reserve Specialist:

- is a Fellow of the Casualty Actuarial Society and a member of the American Academy of Actuaries,
- is a member in good standing with and has satisfied the continuing education requirements for both societies as of December 31, 2024,
- is a CFA Charterholder; and
- holds relevant experience to evaluate the Technical Provisions for business written by AG Re.

g. Outsourcing

i. Outsourcing Policy and Key Functions that have been Outsourced

Given the relatively small size of its operations and the desire to ensure the efficiency and effectiveness of its operations, the Company has determined that certain functions and processes should be outsourced to an affiliate company or third parties.

All of AG Re's outsourcing arrangements are reviewed on an annual basis by the Board and more frequently if required. Any new Group or third party outsourcing arrangements, or changes to existing Group or third party outsourcing arrangements, are reviewed and approved by AG Re's management and/or the Board, as appropriate.

Third-Party Outsourcing Arrangements

Investment Management

AG Re outsources the management of its fixed maturity and short term investment portfolio to third party investment managers under a mandate designed to support the highest possible ratings, manage credit risk, ensure ample liquidity to cover losses in a stress scenario and maximize income. The investment managers manage AG Re's investment portfolio in accordance with the investment guidelines approved by AG Re's Board. The investment managers are Goldman Sachs Asset Management, L.P. and Wellington Management Company, LLP. For more information on the 'prudent person principle' see *Section iii.b Market Risk*.

Internal Audit

The Company outsources the Internal Audit function to an international public accounting firm. Refer to *Section ii.e Internal Audit Function* above for additional information.

ii. Material Intra-Group Outsourcing

As described in *Section ii.a.ii Remuneration Policy* and *Section ii.a.iv Shareholder Controllers, Persons who Exercise Significant Influence, the Board or Senior Executive Material Transactions* above, AG Re's affairs are managed by its Board and officers in Bermuda. In addition, the Company contracts with its affiliate to provide certain administrative support services. The Company is a party to service agreements with AG Services pursuant to which AG Services makes available to the Company certain services, including actuarial, marketing, claims handling, surveillance, legal, compliance, corporate secretarial, information technologies, human resources, accounting, tax, financial reporting and investment planning services. The costs charged to the Company for the provision of these services are determined based upon an allocation of employee time and corresponding office overhead. Employees of AG Services that are performing administrative services for AG Re are not empowered to make underwriting or other decisions on behalf of AG Re or to bind AG Re in any way.

h. Any Other Material Information

There is no other material information.

iii. RISK PROFILE

This section of the FCR provides information on the material risks faced by the Company. The Company categorizes these risks into five areas: underwriting risk, market risk, credit risk, liquidity risk and operational risk. All key risks are captured within the Company's Risk Universe along with the internal control and other actions designed to mitigate these risks. Key risks are monitored via the use of key risk indicators and the Company's CISSA, which forms an integral part of the risk management framework.

a. Underwriting Risk

The Company's most material risk is underwriting risk. The Company underwrites financial guaranty reinsurance under quota share and excess of loss treaties and other types of insurance and reinsurance that have risk profiles similar to its structured finance business. Under a reinsurance agreement, the reinsurer, in consideration of a premium paid to it, agrees to indemnify another insurer, called the ceding company, for part or all of the liability of the ceding company under one or more insurance policies that the ceding company has issued.

Upon an obligor's default on scheduled principal or interest payments due on the obligation, the primary insurer is required under the financial guaranty policy to pay the principal or interest shortfall.

Measurement

The Company's main metrics for measuring its portfolio underwriting risk (in addition to its risk management and CISSA process, discussed in *Section ii.c Risk Management and Solvency Self-Assessment*) are exposure, sector and internal rating. The Company also considers geographic concentrations for its financial guaranty transactions and the underlying assets and maturity dates for its RVI transactions, as well as the investment performance and mortality rates for its insurance securitization transactions. At the closing of each transaction, the Company's Credit Committee assigns the transaction to a sector (i.e., a group of transactions with similar risk characteristics) for purposes of evaluating risk and potential correlations. The Credit Committee also assigns an internal rating reflecting the risk profile of the transaction, with such rating subject to change over time. Surveillance is responsible for monitoring the performance of all insured transactions throughout their terms and recommending internal rating changes as appropriate. All rating changes must be approved by the Risk Management Committee.

The sector composition of the financial guaranty insured portfolio and the breakdown of internal ratings, measured by GPO and NPO as of December 31, 2024 and 2023, are set forth below.

Sector Breakdown of the Financial Guaranty Insured Portfolio

Sector	As of December 31, 2024			As of December 31, 2023		
	Number of Risks	GPO	NPO	Number of Risks	GPO	NPO
	(in thousands, except number of risks)					
Public finance:						
General obligation	4,055	\$ 17,935,573	\$ 17,935,573	3,843	\$ 18,036,462	\$ 18,036,462
Regulated utilities	83	7,846,154	7,846,154	74	6,607,966	6,607,966
Tax backed	1,044	7,400,439	7,400,439	1,026	7,872,501	7,872,501
Municipal utilities	799	6,046,672	6,046,672	815	6,104,264	6,104,264
Transportation	137	5,047,229	5,047,229	138	4,333,135	4,333,135
Infrastructure finance	163	4,981,434	4,981,434	160	4,815,410	4,815,410
Healthcare	112	2,292,636	2,292,636	109	2,100,585	2,100,585
Higher education	180	1,756,126	1,756,126	180	1,777,266	1,777,266
Sovereign and sub-sovereign	301	1,260,513	1,260,513	314	1,335,653	1,335,653
Pooled infrastructure	3	550,329	550,329	3	566,626	566,626
Renewable energy	9	393,578	393,578	9	453,544	453,544
Housing revenue	26	235,969	235,969	23	218,999	218,999
Investor-owned utilities	6	188,027	188,027	6	188,882	188,882
Other public finance	14	262,280	262,280	14	284,973	284,973
Total public finance	6,932	56,196,959	56,196,959	6,714	54,696,266	54,696,266
Structured finance:						
Insurance securitizations	11	3,483,102	3,083,102	12	3,667,821	3,367,821
Subscription Finance Facilities	22	735,852	735,852	14	103,544	103,544
Pooled corporate obligations	18	183,308	183,308	16	130,981	130,981
RMBS	164	101,379	101,379	181	125,036	125,036
Consumer receivables	11	71,700	71,700	12	113,848	113,848
Other structured finance	43	419,772	419,772	38	137,041	137,041
Total structured finance	269	4,995,113	4,595,113	273	4,278,271	3,978,271
Total financial guaranty insured portfolio	7,201	\$ 61,192,072	\$ 60,792,072	6,987	\$ 58,974,537	\$ 58,674,537

Specialty Business

In addition to the financial guaranty par exposure shown in the table above, the Company offers, through AGRO, specialty insurance, reinsurance and other guaranties on either a direct or reinsurance basis. All exposures in the table below are rated IG, except for aircraft RVI gross and net exposure of \$5.3 million as of December 31, 2024, and gross exposure of \$143.9 million and net exposure of \$83.9 million as of December 31, 2023

Specialty Business Gross and Net Exposure

	As of December 31, 2024		As of December 31, 2023	
	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure
	(in thousands)			
Diversified real estate (1)	\$ 2,004,252	\$ 2,004,252	\$ 1,569,397	\$ 1,569,397
Insurance securitizations (2)	1,449,456	1,126,618	1,370,393	1,043,418
Pooled corporate obligations	867,600	867,600	487,600	487,600
Aircraft RVI	146,925	86,671	355,101	200,048

- (1) Excess-of-loss guaranty of a minimum amount of billed rent on a diversified portfolio of real estate properties with an internal rating of AAA that matures in 2044. This guaranty is accounted for in accordance with Accounting Standards Codification (ASC) 460, *Guarantees*.
- (2) The insurance securitizations exposure is projected to reach \$1.5 billion gross and \$1.2 billion net in 2025 due to accretion.

Risk Concentration

The Company's top ten credit exposures measured by GPO represented 12.3% of GPO as of December 31, 2024. These exposures were in various sectors, including regulated utilities, insurance securitizations and general obligation bonds.

Financial Guaranty Portfolio Breakdown by Internal Credit Rating (1)

Rating Category	As of December 31, 2024		As of December 31, 2023	
	GPO	NPO	GPO	NPO
	(in thousands)			
AAA	\$ 717,648	\$ 717,648	\$ 778,430	\$ 778,430
AA	7,840,272	7,440,272	7,229,785	7,229,785
A	29,005,373	29,005,373	28,246,745	27,946,745
BBB	21,302,687	21,302,687	21,445,559	21,445,559
BIG	2,326,092	2,326,092	1,274,018	1,274,018
Total	<u>\$ 61,192,072</u>	<u>\$ 60,792,072</u>	<u>\$ 58,974,537</u>	<u>\$ 58,674,537</u>

- (1) Ratings are the Company's internal rating classifications which may or may not differ from those of the Rating Agencies.

The table below sets forth the Company's BIG transactions NPO as of December 31, 2024 and 2023. There were no ceded BIG exposures.

**Financial Guaranty
BIG Net Par Outstanding by Sector**

Sector	As of December 31, 2024		As of December 31, 2023	
	Number of Risks	Par	Number of Risks	Par
	(in thousands, except number of risks)			
Regulated utilities	3	\$ 1,048,215	—	\$ —
Insurance securitizations	2	293,759	2	293,798
Municipal utilities	7	249,148	6	276,769
Healthcare	6	216,909	5	175,061
Renewable energy	4	154,512	1	48,701
General obligation	31	104,365	31	105,581
RMBS	67	49,538	72	56,317
Infrastructure finance	4	47,614	4	48,442
Tax backed	6	32,950	9	119,598
Consumer receivables	4	29,709	5	42,008
Higher education	2	23,740	5	27,774
Housing revenue	1	15,101	1	15,812
Transportation	3	13,222	3	13,275
Investor-owned utilities	1	7,099	1	7,099
Sovereign and sub-sovereign	2	762	2	900
Commercial receivables	1	321	2	1,500
Other	1	39,128	1	41,383
Total BIG (1)	145	\$ 2,326,092	150	\$ 1,274,018

(1) The Company's BIG NPO for Puerto Rico was \$182.4 million and \$293.0 million as of December 31, 2024 and 2023, respectively and for Non-US Public Finance was \$1,206.6 million and \$52.9 million as of December 31, 2024 and 2023, respectively

For exposure by geographic distribution, see *Section i.f. Insurance Business Written by Business Segment and by Geographical Region, Financial Guaranty Business*.

Risk Mitigation

Underwriting & Credit Procedures

Most of the Company's business comes to it through quota share and other reinsurance treaties from its Affiliated Ceding Companies. The Company does not underwrite individual exposures under these treaties. The Company performs diligence on potential ceding companies prior to entering into reinsurance treaties to assess, among other things, the ceding company's business strategy, underwriting abilities, surveillance and workout functions, data integrity, internal audit findings and accounting and payment processes. The Company applies its risk underwriting judgment, risk management skills and capital markets experience in the conduct of its business.

In general, transactions ceded under insurance treaties are comprised of U.S. and non-U.S. public finance, infrastructure, and structured finance transactions. In negotiating treaties, the Company may seek to limit its exposure to losses by, among other things, limiting covered transactions to ones that are rated IG at inception by the ceding company and /or fit within the Company's diversification goals; or prohibiting certain types of transactions that the Company has not approved as insurable risks.

In the event the Company does directly underwrite and provide insurance on a transaction, it undertakes a complete review and analysis of the transaction and all of the material risks identified during the process, including underwriting risks, structural risks, legal and other risks as described in the Company's Risk Appetite Statement.

The Company's Credit Committee is composed of senior officers of the Company. Within the parameters delegated to it by the Board, the Credit Committee establishes underwriting standards and guidelines and processes and controls that govern transactions, and has the authority to review and approve or reject transactions undertaken by the Company. All new transactions approved by the Credit Committee, other than small RVI transactions and internal reinsurance cessions, must also be approved by the Board. As part of the approval process, the Credit Committee enforces the single risk, sector and country limits which it has established. It also incorporates critical feedback on the performance of, and any problems related to, transactions in the Company's insured portfolio.

Surveillance

The Company conducts regular monitoring of the performance of each insured transaction throughout its life and also tracks the aggregation of risk across the portfolio, to provide early identification of any credit concerns. The review cycle and scope for transactions varies based upon transaction type and credit quality. In general, the review process includes the collection and analysis of information from various sources, including trustee and servicer reports, financial statements, general industry or sector news and analyses, and rating agency reports.

The Company assigns internal credit ratings to all transactions based on its internal assessments of the likelihood of default and loss severity in the event of default. Internal credit ratings are expressed on a ratings scale similar to that used by the Rating Agencies and generally reflect an approach similar to that employed by the Rating Agencies, except that the Company's internal credit ratings focus on future performance rather than lifetime performance.

The surveillance staff analyzes all available information related to the financial health of the transaction with the goal of identifying early warning signs of deteriorating performance. Generally, transactions are reviewed and presented in sector reports, which group together transactions that share common risk characteristics. Reviewing exposures by sector facilitates comparison of performance, risk ranking and early identification of underperforming transactions. In addition, each quarter, surveillance staff prepares and presents a quarterly risk management review to the Board.

Workout Activities

For reinsurance transactions, the ceding companies typically maintain control over the development and implementation of workout and loss mitigation strategies on troubled reinsurance transactions that are experiencing losses or could be at risk of losses. The Company's surveillance personnel are responsible for tracking reinsurance workout activities, reporting on these activities to the Board in its quarterly surveillance report to the Board and for making any required related decisions. For directly insured transactions, the Company's surveillance personnel are responsible for managing workout activities. For these transactions, the Company's surveillance personnel are responsible for developing strategies designed to enhance the ability of the Company to enforce its contractual rights and remedies and mitigate potential losses and may also engage in negotiation discussions with transaction participants.

Reinsurance

Exposure to Non-Affiliated Reinsurers (1)

	As of December 31, 2024	As of December 31, 2023
	(in thousands)	
Financial guaranty ceded par outstanding (2)	\$ 400,000	\$ 300,000
Specialty ceded exposure (2)	383,092	482,028

- (1) The total collateral posted by third-party reinsurers was \$2.4 million and \$5.5 million as of December 31, 2024 and December 31, 2023. As of both December 31, 2024 and December 31, 2023 none of the ceded RVI exposure was rated BIG. There were no cessions to affiliated reinsurers.
- (2) All ceded par was rated IG as of both December 31, 2024 and December 31, 2023.

Risk Sensitivity

At least annually, the Company runs a series of stress tests to determine the sensitivity of its ECR to various material underwriting risks. Underwriting risk exposure is tested for risk concentration to a specific region as well as identification of stress events that can lead to material losses across the portfolio. Examples of these concentrations are:

- Puerto Rico,
- U.S. Municipals,
- Infrastructure Finance
- U.K. Water Regulated Utilities

The Company runs stress tests for each of the parameters. Based on the latest stress testing results, management of the Company believes that the Company has sufficient capital to comply with its contractual obligations and regulatory requirements and remain within its risk tolerance.

b. Market Risk

Market risk includes the Company's exposure to spread risk, interest rate risk, foreign exchange risk, and market risk concentrations. The Company is exposed to market risk via its investment portfolio and future cash flows from the insured portfolio. The Company is primarily exposed to market risk via its investment portfolio. The Company's investment portfolio had a market value of \$1.2 billion and \$1.3 billion as of December 31, 2024 and December 31, 2023, respectively.

The Company has a cautious appetite for market risk and adopts a conservative investment strategy which seeks an appropriate investment return for market risk while prioritizing liquidity management and preservation of the Company's external rating. Investment limits have been established which prescribe permitted asset allocations, duration limits, minimum credit ratings, and counterparty limits to ensure market risk remains within risk appetite. These limits also implement the Company's approach to compliance with the 'prudent person principle' set out in the Solvency Regulations. The Company's current asset allocation does not include equity or real estate investments and as such the Company is not exposed to equity or property price risk.

The investment portfolio is managed by third party investment managers. The established investment limits are included within the Board approved investment guidelines issued to the investment managers. The investment managers are required to regularly confirm their compliance with limits.

Spread Risk

The Company has a low amount of credit spread risk due to its investment guidelines.

The Company manages its exposure to spread risk by establishing minimum credit rating standards for the investment portfolio, for both individual securities and the overall portfolio. The overall portfolio credit quality, on an ongoing basis must be rated a minimum of "A+/"A1"/"A+" as measured by S&P, Moody's and Fitch. All securities purchased by external managers must be rated by one of S&P, Moody's or Fitch and at least 90% of the portfolio must be rated by two of S&P, Moody's and Fitch.

In the event of a downgrade of any investment below the Company's requirements, the investment manager must contact the Group CFO or Treasurer to discuss the course of action and may hold the position only if approved by the Group CFO or the Company's President.

Investment Portfolio by external credit rating

	As of December 31, 2024	As of December 31, 2023
	(in thousands)	
AAA	\$ 93,442	\$ 128,039
AA	467,777	455,738
A	421,913	448,144
BBB	148,335	147,563
Lower than BBB or not rated ¹	21,955	16,380
Total fixed-maturity securities	\$ 1,153,422	\$ 1,195,864

¹ investments rated below BBB or not rated comprise an alternative investment which is not rated, a security held in the externally managed portfolio which was downgraded during 2024 and a security held for loss mitigation purposes

Interest Rate Risk

The Company is exposed to interest rate risk in respect of both assets and liabilities. The Company receives cash inflows in the form of investment income and premiums. The Company pays cash outflows in the form of operating expenses and claims.

The Company's exposure to interest rate risk is managed by restricting the overall duration of the investment portfolio to within a prescribed range of a selected benchmark portfolio. Given the Company's cautious approach to market risk and the primary objectives of the Company's investment strategy, the overall duration is generally short and the investments are generally held to maturity. The Company does not seek to mitigate interest rate risk by matching the duration of the Company's invested assets with liabilities arising from the insured portfolio. However, the Company's liabilities which include expected claims and operating expenses, are more than offset by future premiums and investment income.

Currency Risk

The Company is exposed to currency risk in respect of assets under financial guaranties and other specialty insurance denominated in currencies other than USD, primarily the euro and pound sterling. The Company is exposed to currency risk in respect of liabilities under financial guaranties denominated in currencies other than USD. The most significant currency to which the Company is exposed is the pound sterling. The Company manages its exposure from time to time by maintaining balances denominated in those currencies in which it is exposed in order to meet liabilities that may become due.

Measurement

The Company measures the results of its investment portfolio by its compliance with investment guidelines, and by the portfolio performance, particularly book yield.

Risk Concentration

As of both December 31, 2024 and December 31, 2023, the Company's fixed-maturity and short-term investment portfolio had an average credit quality rating of "A+." Issuer constraints as well as sector limitations are also followed in managing the investment portfolio. The table below sets forth the sector concentrations across the portfolio.

Investment Portfolio Composition Concentrations by Security Type

Security Type	As of December 31, 2024	As of December 31, 2023
Fixed-maturity securities:		
Corporate securities	49.3 %	50.9 %
Obligations of state and political subdivisions	21.2	20.4
RMBS	14.5	11.6
CMBS	2.7	5.5
Asset-backed securities	3.5	3.7
U.S. government and agencies	1.4	1.7
Total fixed-maturity securities	92.6	93.8
Short-term investments	7.4	6.2
Total fixed-maturity and short term investment portfolio	100.0 %	100.0 %

Risk Mitigation

In the event of any downgrade of any investment below the Company's requirements, the investment managers must contact the Company's management to discuss the course of action and may hold the position only if approved by the Company's President and the Board, with oversight by the Group.

Risk Sensitivity

The main risk in the Company's investment portfolio is interest rate risk on its fixed rate investments. Each quarter, as part of its CISSA, the Company stress tests the sensitivity of the investment portfolio to interest rate movements. Based on the latest stress testing results, management of the Company believes that it has sufficient resources to comply with its contractual obligations and regulatory requirements and remain within its risk tolerance.

c. Credit Risk

The Company's most significant credit risks are the risk of non-payment by the obligors on the transactions that it insures or reinsures which are discussed above in *Section iii.a. Underwriting Risk*. The only other counterparty credit risks the Company has relate to a small amount of exposure ceded to reinsurers, to an intra-Group loan, a small reinsurance recoverable and cash that the Company holds. The external reinsurer credit ratings are reviewed and approved at least annually by the Group Risk Management Committee.

The Company's reinsurance recoverables, loan receivable, and premiums receivable are tested to assess the impact on the Company of a counterparty's ability to make payments in accordance with the contractual terms. Based on the latest stress testing results, management of the Company believes that it has sufficient resources to comply with its contractual obligations and regulatory requirements and remain within its risk tolerance.

d. Liquidity Risk

Liquidity risk is the risk that cash may not be available at a reasonable cost to pay obligations as they fall due. The Company manages its liquidity risk by maintaining a liquid, high quality investment portfolio, with a duration that is shorter than the duration of its insurance liabilities. Additionally, for its financial guaranty contracts, the Company is only required to pay principal and interest claims as they come due according to the original bond payment schedule, and the payments cannot be accelerated without the Company's consent. For information on 'prudent person principle' see *Section iii.b Market Risk*.

Measurement

The Company measures duration relative to its investment guideline range, discussed above, which is set in accordance with the Company's investment guidelines. The investment portfolio had a duration of 4.5 years as of December 31, 2024 and 4.3 years as of December 31, 2023 which is shorter than the duration of its insurance liabilities of 12.1 years as of December 31, 2024 and 12.5 years as of December 31, 2023. For more information see *Section i.g Performance of Investments & Material Income & Expenses for the Reporting Period*.

Risk Sensitivity

Each quarter, as part of its CISSA, the Company performs liquidity stress testing to ensure that it has sufficient liquid assets over the next 12 month period to cover all of its liabilities that could arise in a stress scenario. When the Company performs the stress test, it considers only U.S. Government bonds, pre-refunded bonds, agency bonds and cash to be liquid assets. Based on the latest stress testing results, management of the Company believes that it has sufficient liquidity to comply with its contractual obligations and regulatory requirements and remain within its risk tolerance.

e. Operational Risk

Operational risk is defined as the risk of loss or other adverse consequences on business outcomes resulting from inadequate or failed internal processes, personnel or systems, or from external events. Operational risk is seen as a business-wide risk that could arise from either underwriting, investing, risk mitigation or any other activity the Company undertakes. Consequently, operational risk is inherent in all of the Company's processes, interactions with third parties and other activities.

The Company faces a variety of operational risks including those related to IT, accounting, legal and regulatory matters, as well as risks related to performance by affiliated companies pursuant to a services agreement and third party service providers. The Company has limited appetite for operational risk and expects that the Company's business functions work actively to avoid operational risk to the extent it is commercially appropriate. The Company regularly assesses its ability to prevent, adapt, respond to, recover from, and learn from operational disruptions on the basis that from time to time, disruptions may occur which will prevent management and staff from operating as usual.

As of December 31, 2024 and December 31, 2023, the Company had 7,214 and 7,006 risks in its insured portfolio. The

moderate increase in the number of risks allows careful review of the transaction documents and quality control of the data points captured in the Company's systems by knowledgeable employees.

Operational risks are further limited by the Company's risk management policies, such as the policies governing the credit approval process, compliance, data protection, business continuity planning, and employee conduct. Additional mitigants to operational risk include that its service agreements are with stable affiliated companies, and the system of internal controls in place, which is described in *Section ii.d Internal Control System*.

With regard to legal risk, another aspect of operational risk, as of December 31, 2024, the Company was not a party in any litigation or subject to any known regulatory investigation.

f. Any Other Material Information

Climate change

As an insurer and reinsurer, the Company endeavors to manage risk wisely, responsibly and with a view towards the long-term success of our business. We are committed to understanding, managing and mitigating the risks to our business associated with changing climatic conditions and we endeavor to operate our business in a sustainable and environmentally responsible manner.

Insured Portfolio. The Company does not take direct insurance exposure to natural perils but with respect to its financial guaranty reinsurance, it does face the risk that its obligors' ability to pay debt service may be impacted as a result of such perils and the exacerbating effect extreme weather or deteriorating climatic conditions may have on their operations and/or financial condition. The Company provides financial guaranty reinsurance to policies with durations of approximately 20 years, meaning in-force risks, as well as those currently being underwritten, are potentially exposed to the long-term consequences of frequent or severe natural disaster perils (e.g., storms and wildfires). The Company takes a holistic and long-term approach to managing the risks arising from changing climatic conditions. The Company continues to enhance its consideration of climate risk in the underwriting, credit approval, and surveillance of its insured exposures and has integrated climate risk into its Risk Management function. The Company also incorporates climate risk into its CISSA process, as outlined in the BMA's Guidance Notes, Management of Climate Change Risks for Commercial Insurers, March 2023.

Investment Portfolio. The Company has a substantial investment portfolio supporting its insurance exposures and regulatory capital requirements. The portfolio consists predominantly of fixed-maturity securities. Nevertheless, environmental issues, including regulatory changes, changes in supply or demand characteristics of fuels, and extreme weather events, may impact the value of certain securities. The Company's investment guidelines incorporate material environmental factors into the investment analysis to enhance the quality of investment decisions. On an annual basis, the Company requests and reviews reports from its primary investment managers on any material non-financial risks (including vulnerability to climate risks or exposure to extreme weather events) that may adversely impact returns.

Environmental Stewardship. While we believe the direct impact of our operations on the environment is relatively small, we understand that we have a role and a responsibility to manage our operations in ways that reflect our respect for the environment. The Assured Guaranty group contributes to the global effort to combat climate change by measuring and reporting its GHG emissions. Pursuant to the Greenhouse Gas Protocol, Assured Guaranty conducts internal data collection and analysis annually for its Scope 1, Scope 2 and certain key Scope 3 GHG emissions (air travel). Assured Guaranty's methodology and results are reviewed by an independent third party, which conducts a reasonable assurance review for Scopes 1 and 2 emissions and a limited assurance review for Scope 3 emissions, in accordance with ISO 14064-3 International Standards.

The Company's ultimate parent, AGL, has implemented policies and procedures on environmental stewardship which apply to the Company's operations and employees. AGL's Climate Risk Management and Environmental Stewardship Policy ("Environmental Policy") and Climate Statement can be found at: <https://assuredguaranty.com/about-us/governance>. The Environmental Policy guides strategies and actions in four critical areas: (i) insurance risk management and strategic opportunities, (ii) investment opportunities, (iii) business operations and facilities management, and (iv) employee engagement. The policy applies to all personnel, across all offices and operations of Assured Guaranty, including the Company.

Governance. The Company's Board is responsible for the oversight of climate risk management. At each of its quarterly meetings, the Company's Board reviews environmental risk reports. The Group Chief Risk Officer is designated as the AG Re board member and member of senior management responsible for overseeing the management of climate risks.

At the group level, the Environmental and Social Responsibility Committee and the Risk Oversight Committee of AGL's Board of Directors provide oversight of Assured Guaranty's approach to addressing climate change risk in accordance with their respective charters. The Environmental and Social Responsibility Committee reviews updates on the consideration of environmental risks in Assured Guaranty's insurance risk management and its investment portfolio, as well as legislative and regulatory developments of significance to Assured Guaranty's environmental initiatives and related oversight. The Risk Oversight Committee reviews the establishment and implementation of enterprise risk management policies and practices.

iv. SOLVENCY VALUATION

This section sets out the valuation of assets, technical provisions and other liabilities of the Company, as well as details of the valuation methodology and the differences to valuation under U.S. GAAP, as reported within the Company's financial statements.

a. Valuation Bases, Assumptions and Methods to Derive the Value of Each Asset Class

The Company has used the valuation principles outlined by the BMA's "Guidance Note for Statutory Reporting Regime" for the reporting period's statutory filing. The economic valuation principles outlined in this document are to measure assets and liabilities on a fair value basis.

Set out below is a summary of the valuation methodology used to arrive at the value of each category of assets shown on the economic balance sheet and the differences to U.S. GAAP.

Investments

Fixed maturity and short term investments are measured on a fair value basis under both U.S. GAAP and the Solvency Regulations. Fair value is based on quoted market prices, where available. If listed prices or quotes are not available, fair value is based on either internally developed models or third party proprietary pricing models that primarily use, as inputs, market-based or independently sourced market parameters, including but not limited to yield curves, interest rates and debt prices.

The fair value of bonds in the investment portfolio is generally based on prices received from third party pricing services or alternative pricing sources with reasonable levels of price transparency. The pricing services prepare estimates of fair value measurements using their pricing models, which take into account: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, industry and economic events and sector groupings. The Company considers markets to be active where transactions take place with sufficient frequency and volume for pricing information to be available on an ongoing basis.

Where the Company has concluded that markets are not active (i.e. investment assets cannot be priced using quoted market prices or using observable market-based prices or other inputs), assets are valued under a discounted cash flow approach using an independent third-party's proprietary pricing models. The models use inputs such as projected prepayment speeds; severity assumptions; recovery lag assumptions; life insurance cash flow projections; estimated default rates (determined on the basis of an analysis of collateral attributes, historical collateral performance; collateral reinvestment assumptions; borrower profiles and other features relevant to the evaluation of collateral credit quality); and recent trading activity. The yield used to discount the projected cash flows is determined by reviewing various attributes of the security including collateral type, weighted average life, sensitivity to losses, vintage, and convexity, in conjunction with market data on comparable securities. Significant changes to any of these inputs could materially change the expected timing of cash flows within these securities which is a significant factor in determining the fair value of the securities.

As of December 31, 2024, the Company used models to price 16 securities with a fair value of \$37.6 million. As of December 31, 2023, the Company used models to price 19 securities with a fair value of \$41.7 million. All of these securities were priced with the assistance of independent third parties.

As of December 31, 2024, the Company had one equity method investment in a managed fund with a carrying value of \$5.7 million. The unfunded commitment related to this managed fund was \$4.9 million as of December 31, 2024. For purposes of the economic balance sheet, the equity method carrying value approximates fair value.

Cash and cash equivalents

Cash relates to deposits held at financial institutions. These are recognized at face value without any deductions for both U.S. GAAP and economic balance sheet purposes.

Deferred acquisition costs

Under U.S. GAAP, acquisition costs incurred in respect of the successful production of new business are capitalized in the balance sheet and amortized over the period in which the related premiums are earned.

Under Solvency Regulations, intangible assets are ascribed a value only when they can be sold separately and it can be demonstrated that there are quoted prices in an active market for such an asset. The Company's deferred acquisition costs do not meet these criteria and as such are valued at nil in the economic balance sheet.

Deferred tax assets

The method for recognition and valuation of deferred tax assets is different under Solvency Regulations and U.S. GAAP. Refer to *Section i.g. Performance of Investments & Material Income & Expenses for the Reporting Period* for more information on the new Bermuda corporate income tax.

Within the economic balance sheet deferred tax assets are established for the temporary differences arising from the valuation adjustments to move from U.S. GAAP to an economic balance sheet. Deferred tax is measured using tax rates that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. In 2023, per instruction from the BMA, the Company did not reflect the impact of the Bermuda CIT on its economic balance sheet and deferred taxes were only calculated in so far as they pertained to U.S. tax paying entities. In 2024, the Company has reflected the impact of the Bermuda CIT on its economic balance sheet and deferred taxes per an updated instruction from the BMA.

Insurance receivables

Insurance receivables reported under U.S. GAAP consist of all premiums and reinsurance balances that were receivable at the balance sheet date.

Expected future cash flows are included within Technical Provisions as described in *Section b.* below.

Other assets

Under U.S. GAAP, other assets include guaranty fee receivable and prepaid expenses. Under Solvency Regulations, prepaid expenses are a non-admitted asset. The guarantee fee receivable is included within Technical Provisions as described in *Section b.* below

Advances or loans from affiliates are recorded at fair value for the economic balance sheet and balances receivable in more than one year are discounted at the relevant risk free rate. Under U.S. GAAP, the advances or loans are recorded at their face value

All other insurance assets are included in the calculation of Technical Provisions as discussed in *Section b.* below.

b. Valuation Bases, Assumptions and Methods to Derive the Value of Technical Provisions

Technical Provisions under Economic Balance Sheet versus Financial Statements

Technical Provisions As of December 31, 2024

	Financial Statement Balance Sheet	Economic Balance Sheet
	(in thousands)	
Gross Best Estimate	\$ —	\$ (115,656)
Risk margin	—	66,422
Gross unearned premium reserve	823,308	—
Gross loss and loss expense provisions	134,726	—
Total	<u>\$ 958,034</u>	<u>\$ (49,234)</u>

The gross and net best estimate technical provisions values are the present value of future cash outflows less the present value of future cash inflows. The present value of cash outflows includes the expected lifetime loss calculated using the Company's internally developed individual capital adequacy model plus an Expense Load. The present value of the cash inflows includes all future premiums expected to be received by the Company after consideration of potential non-payment on premiums due to future defaults of guaranteed transactions.

Expected lifetime losses under the economic balance sheet are calculated using the Company's ECM which uses its judgments for cumulative probability of default, loss given default and correlation to calculate the expected cash outflows that the Company will be required to pay over the lifetime of the Company's insured exposures for both its net retained and its reinsured exposures. The Company considers both external and internal sources of data when setting its assumptions for probability of default, loss given default and correlation, including any relevant experience by members of the Group. The boundary of each insurance contract is assumed to be the period of time during which the principal on the debt underlying the financial guarantee contract is greater than zero. The Company uses its judgment to assess future inflation rates for guarantees that are linked to an inflation index.

For purposes of the best estimate loss component of Technical Provisions, the provision for future run-off expense is projected based on the Company's current operating costs taking into consideration activities required to service the existing insured portfolio.

The risk margin is an estimate of the amount that a third party would expect to receive in addition to the Best Estimate Technical Provisions to assume the Company's insurance obligations. The risk margin is calculated as the present value of the cost of capital (i.e., cost of holding capital equal to BSCR) in all future years. The cost of capital to be used in the calculation is prescribed by the BMA at 6% per annum.

While the Company believes that the assumptions and methods used to develop the Technical Provisions are reasonable and consistent and that they provide for a calculation of future expectations in an appropriate manner, it remains possible that future experience in future premiums, projected operating expenses, default probabilities, severities, and correlations may not be in line with expectations. Since the Company guarantees against low probability events that have large nominal exposures despite the expectation that the severity of any loss would be low, the uncertainty within the Company's projected losses used in the calculation of the Technical Provisions is high. The level of uncertainty in respect of future premiums, future ceding commission and projected operating expenses is expected to be low because, in most cases cash inflows are contractually guaranteed and the annual operating expenses that would be required to manage the runoff of the portfolio can be reasonably estimated based on current staffing levels. The Company does not include any benefits related to future management actions and it is unlikely that policyholder behavior would affect the Technical Provisions.

The Company also believes that the assumptions and methods used to develop the risk margin value are reasonable and consistent and that they provide for a calculation of the appropriate economic capital cushion required by the BMA.

The Best Estimate Technical Provisions must include the Company's expected future cash inflows and outflows, excluding investment income.

The following is a listing of the material differences between Technical Provisions under Solvency Regulations and under U.S. GAAP:

- Under Solvency Regulations, premiums and fee income that are due to be received after the balance sheet date are included in the calculation of Technical Provisions and include amounts receivable from both financial guaranty contracts written in insurance and CDS forms as well as specialty insurance and reinsurance and exclude an amount that may not be received due to potential defaults on underlying transactions. The amount is discounted at the BMA specified risk free rate. Under U.S. GAAP, financial guaranty premiums that are due to be received after the balance sheet date are included in the premiums receivable, net of commissions payable, discounted at the risk-free rate at inception and such discount rate is updated only when changes to prepayment assumptions are made that change the expected date of final maturity. For specialty premiums, premiums receivable consist of the amount of contractual premiums due. There is no provision for amounts that may not be received unless such amounts are deemed uncollectible. For financial guaranty contracts written in CDS form, premiums that are due to be received after the balance sheet date are incorporated into the fair value of the CDS.
- Under Solvency Regulations, commissions that are due to be paid on assumed policies after the balance sheet date are included in the calculation of Technical Provisions and include amounts payable on both financial guaranty contracts written in insurance and CDS forms as well as specialty insurance and reinsurance and exclude an

amount that may not be payable due to potential defaults on underlying transactions, discounted at the BMA specified risk free rate. Under U.S. GAAP, commissions (for financial guaranty policies accounted for as insurance) that are due to be paid on assumed policies after the balance sheet date are included in premiums receivable. The amount is discounted at the risk-free rate at inception and such discount rate is updated only when changes to prepayment assumptions are made that change the expected date of final maturity. For financial guaranty contracts written in CDS form, commissions that are due to be paid after the balance sheet date are incorporated into the fair value of the CDS.

- Under Solvency Regulations, projected losses are included in the calculation of Technical Provisions and are calculated on payment guarantees, financial guaranty contracts written in insurance and CDS forms as well as specialty insurance and reinsurance and a loss value is ascribed to every exposure. The resulting amount is discounted at the BMA specified risk free rate. Under U.S. GAAP, a loss reserve is recorded on financial guaranty only to the extent, and for the amount, that expected loss to be paid exceeds the unearned premium reserve on a contract by contract basis, and is discounted at risk-free rates. For specialty insurance and reinsurance contracts, U.S. GAAP loss reserves consist of the estimates of unpaid reported losses and estimates for incurred but not reported losses. For financial guaranty contracts written in CDS form, potential losses are incorporated into the fair value of the CDS under U.S. GAAP.
- Under Solvency Regulations, an amount is included for the projected Expense Load. Under U.S. GAAP, a LAE amount, if applicable, is included for financial guaranty or specialty insurance and reinsurance contracts, as applicable, but the LAE amount does not include a projected expense load covering the Company's other expenses.
- Under Solvency Regulations, unearned premium reserve is not included in the Technical Provisions. Under U.S. GAAP, unearned premium reserve is recorded.
- Under Solvency Regulations, deferred acquisition costs are not included in the Technical Provisions. Under U.S. GAAP, deferred acquisition costs are recorded on financial guaranty and specialty insurance and reinsurance contracts.

c. Description of Recoverables from Reinsurance Contracts

Recoverables From Reinsurance and Special Purpose Vehicles

The Company cedes all of its exposure to non-affiliated reinsurers. In calculating the Technical Provisions and risk margin net of this reinsurance, the reinsurers are contractually obligated to pay and will likewise be entitled to receive their share of any recoveries. Under Solvency Regulations, the Company's reinsurance recoverable for these transactions are the contractually obligated payments, less an amount which represents the reinsurer's share of its loss in excess of the amount of collateral available that it is unable to make. This amount is calculated based on the projected ceded expected losses to the reinsurers, the assumed cumulative default rate of the reinsurers and the amount of collateral posted by the reinsurers. Under U.S. GAAP, the Company does not include a provision for reinsurance counterparty default unless the reinsurance recoverable is deemed uncollectible.

There are no special purpose vehicle recoverables included in any of the calculations of Technical Provisions or risk margin.

d. Valuation Bases, Assumptions and Methods to Derive the Value of Other Liabilities

Similar to the valuation principles for assets, the Company's other liabilities follow the valuations principles outlined by the BMA's "Guidance Note for Statutory Reporting Regime", which values other liabilities at a fair value basis.

The following is a description of the valuation methodology used to arrive at the value of each category of liability shown on the economic balance sheet and the differences to U.S. GAAP. There were no changes made to the recognition and valuation bases used during the year.

Trade payables

Trade payables represent amounts owed to other creditors, including amounts owed to affiliated companies. Payables are valued at the expected settlement amount, which given the short-term nature, is taken to approximate fair value under both Solvency Regulations and U.S. GAAP.

Any other liabilities

Any other liabilities not shown include accrued expenses that have not been settled at the balance sheet date. Accrued expenses are valued at cost, based on the proportion of goods and services that have been consumed under both Solvency Regulations and U.S. GAAP.

All other insurance liabilities are included in the calculation of Technical Provisions as discussed in *Section b.* below.

e. Any Other Material Information

None.

v. CAPITAL MANAGEMENT

This section sets out how the Company manages its solvency capital, including policies and procedures for the management of capital. It also details the Company's calculation of the ECR and MSM.

a. Eligible Capital

i. Capital Management Policy and Process for Capital Needs, How Capital is Managed and Material Changes During the Reporting Period

The primary capital management objectives of the Company are to maintain a strong capital base to support the development of its business and to meet regulatory and rating agency capital requirements at all times. The Company recognizes the impact on shareholder returns of the level of equity capital employed and seeks to maintain a prudent balance. It strives for an appropriate capital structure that efficiently allocates the risk to the capital. The Company's capital and risk management strategy is unchanged over the prior year.

To maintain a strong capital base, the Company identifies, assesses, manages and monitors the various risk sources it faces in the course of business both currently and as anticipated over the life of its insured obligations. This process culminates in an assessment of the capital necessary to maintain solvency at the threshold targeted by senior management given the Company's risk profile. Surplus capital may be paid out in dividends, subject to statutory limitations as defined by the Insurance Act. All dividends are at the discretion of the Board and subject to Board approval and the Company will only consider amounts in excess of the Company's enhanced capital requirement plus sufficient excess to satisfy applicable internal and regulatory target capital requirements. In 2024, the Company paid dividends of \$97.4 million.

With respect to the liquidity of its capital base, the Company has a low tolerance for liquidity risk and manages to that level of risk by maintaining a liquid high quality investment portfolio with a duration that is shorter than the duration of its insurance liabilities. Given the Company's low tolerance for liquidity risk and the contingent and generally long-tail nature of its insurance exposures, the Company is willing to assume a modest amount of market risk as part of its strategy of minimizing liquidity risk. Specific investment guidelines are provided to the Company's outside investment managers, setting forth single risk and asset category limits, duration guidelines and rating standards. The outside investment managers may not purchase any securities rated lower than BBB- by S&P or Baa3 by Moody's. Deviation from these investment guidelines may arise on an exception basis where the Company is managing its exposure to impaired insured transactions. Investment guidelines are discussed in more detail in *Section iii.b Market Risk*.

With regard to managing liabilities, the Company's Risk Appetite Statement dictates that risks accepted are estimated at inception to have low potential loss severity. Therefore, the Company aims to avoid risks that have or are projected to have a high severity in the event of a default.

ii. Eligible Capital Categorized by Tiers in Accordance with the Eligible Capital Rules

As of December 31, 2024 and 2023, all of the Company's eligible capital was categorized as Tier 1:

Eligible Capital

	2024	2023
	(in thousands)	
Tier 1 Capital	\$ 1,380,617	\$ 1,219,980

The Tier 1 capital consists of capital stock, contributed surplus and statutory surplus. The increase in the Tier 1 capital in 2024 compared to prior year is primarily due to an increase the Deferred tax asset and a decrease in Technical Provisions. The increase in the Deferred tax asset is due to the inclusion of the deferred tax asset related to the Bermuda CIT. The decrease in Technical Provisions is due to an increase in future installment premiums and a decrease in loss reserves.

iii. Eligible Capital Categorized by Tiers in Accordance to the Eligible Capital Rules Used to Meet ECR and MSM Requirements of the Insurance Act

As of December 31, 2024 and 2023, the Company's eligible capital used to meet its MSM and ECR was categorized as follows:

	Eligible Capital			
	2024		2023	
	Applied to MSM	Applied to ECR	Applied to MSM	Applied to ECR
	(in thousands)			
Tier 1 Capital	\$ 1,380,617	\$ 1,380,617	\$ 1,219,980	\$ 1,219,980

iv. Confirmation of Eligible Capital That is Subject to Transitional Arrangements

None of the eligible capital is subject to transitional arrangements.

v. Identification of Any Factors Affecting Encumbrances on the Availability and Transferability of Capital to Meet the ECR

The Company has entered into contracts with cedants that require the Company to fully collateralize estimates of its obligations calculated by the cedants. Assets are held in trust accounts for the benefit of the cedant. These assets are released to the Company on payment of the obligations.

vi. Identification of Ancillary Capital Instruments Approved by the Authority

The Company has no ancillary capital instruments.

vii. Identification of Differences in Shareholder's Equity as Stated in the Financial Statements Versus the Available Capital and Surplus

The difference in shareholder's equity, as stated in the U.S. GAAP financial statements and the available statutory capital and surplus, primarily relates to the impact of employing Solvency Regulations based Technical Provision valuation techniques.

The difference between shareholder's equity of the Company in the U.S. GAAP financial statements and the economic balance sheet is set out below. Further details of the Company's assets, technical provisions and other liabilities under the Solvency Regulations basis of valuation are described in more detail in *Section iv, Solvency Valuation*.

Summary of adjustments to U.S. GAAP balance sheet

	As of December 31, 2024	As of December 31, 2023
	(in thousands)	
Shareholder's equity under U.S. GAAP	\$ 1,087,474	\$ 1,094,448
Disallowed items (prepayments, deferred tax related to Bermuda CIT) (1)	(623)	(189,024)
Adjustment to net best estimate provision & discounting	428,651	425,849
Risk Margin	(66,422)	(100,609)
Deferred tax adjustment	(68,463)	(10,684)
Solvency capital under Solvency Regulations	\$ 1,380,617	\$ 1,219,980

(1) In 2023, per instruction from the BMA, the Company did not reflect the impact of the Bermuda CIT on its economic balance sheet and deferred taxes were only calculated in so far as they pertained to U.S. tax paying entities. In 2024, the Company has reflected the impact of the Bermuda CIT on its economic balance sheet and deferred taxes per an updated instruction from the BMA.

b. Regulatory Capital Requirements**i. ECR and MSM Requirements at the End of the Reporting Period**

The following table presents the Company's MSM and ECR amounts.

MSM and ECR Amounts

	As of December 31, 2024	As of December 31, 2023
	(in thousands)	
MSM	\$ 62,345	\$ 71,774
ECR	249,378	287,094

The decrease in 2024 compared to the prior year was primarily due to a decrease in interest rate risk and reserve risk, partially offset by an increase in catastrophe risk.

ii. Identification of Any Non-Compliance with the MSM and the ECR

The Company was compliant with the MSM and ECR requirement as of December 31, 2024 and 2023.

iii. A Description of the Amount and Circumstances Surrounding the Non-Compliance, the Remedial Measures and Their Effectiveness

Not Applicable.

iv. Where the Non- Compliance is not Resolved, a Description of the Amount of the Non- Compliance at the end of the reporting period

Not Applicable.

c. Approved Internal Capital Model

The Company does not use an internal model to calculate its ECR.

vi. SUBSEQUENT EVENTS

a. Description of Significant Events

On November 28, 2011, LBIE sued AGFP, an affiliate of AG, which in the past, had provided credit protection to counterparties under CDS. AG acts as the credit support provider of AGFP under these CDS, and the Company assumes 15% of AG's exposure. Following defaults by LBIE, under transaction documents governing CDS between LBIE and AGFP, AGFP terminated the CDS in compliance with the transaction documents and properly calculated that LBIE owed AGFP approximately \$25 million in connection with the termination, whereas LBIE asserted in its complaint filed in the the Court that AGFP owed LBIE a termination payment of approximately \$1.4 billion. Following a bench trial, on March 8, 2023, the Court rendered its decision and found in favor of AGFP. Accordingly, in the first quarter of 2023, the Company reduced its previously recorded accrual of \$3.0 million to zero in connection with developments in litigation. Following the exhaustion of LBIE's appeals, the Company will recognize a gain in the first quarter of 2025 of approximately \$13.4 million, which represents its share of the full satisfaction of the judgment Assured Guaranty was awarded and its claims for attorneys' fees, expenses and interest in connection with this litigation.

There are no other significant events either in the reporting period, or that have occurred between the end of the reporting period and the date of signing the return.

b. Approximate Date(s) or Proposed Timings of the Significant Event

Timing described above.

c. Confirmation of how the Significant Event has Impacted or will Impact Any Information Provided in the Most Recent Financial Condition Report Filed with the Authority

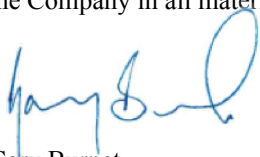
Not applicable.

d. Any Other Material Information

Not applicable.

DECLARATION

We declare, to the best of our knowledge and belief, that the financial condition report fairly presents the financial condition of the Company in all material respects.

A handwritten signature in blue ink, appearing to read "Gary Burnet".

Gary Burnet
President
Assured Guaranty Re Ltd.

A handwritten signature in blue ink, appearing to read "Darin Futter".

Darin Futter
Financial Controller
Assured Guaranty Re Ltd.