

Risk Factors Comparison 2025-03-06 to 2024-02-27 Form: 10-K

Legend: **New Text** ~~Removed Text~~ ~~Unchanged Text~~ **Moved Text** **Section**

Capitalized terms used but not defined in this section shall have the meanings ascribed thereto in Part I, Item 1 in this Annual Report on Form 10- K or in Note 1. Background and Business Description to the Consolidated Financial Statements included in Part II, Item 8 in this Annual Report on Form 10- K unless otherwise indicated. Our risk factors are organized in the following sections Page Risks Related to AFG Common Shares¹³Risk **Shares¹⁰Risk Related to Sale of AAC¹¹Risk** Related to the Company's **Business¹⁵Risks Business¹²Risks** Related to Capital, Liquidity and Markets²³ **Credit Markets¹⁹Risks Related to Legacy Discontinued Operations²⁰** The price per share of AFG's common stock may be subject to a high degree of volatility, including significant price declines. ~~Ambac's Legacy Financial Guarantee Insurance business is in run-off and faces significant risks and uncertainties described elsewhere in Part I, Item 1A. Risk Factors. In addition, Ambac's Specialty Property and Casualty Insurance and Insurance Distribution businesses are in the early stages of development and relatively small; therefore, they are also subject to uncertainties described elsewhere in Part I, Item 1A. Risk Factors.~~ Although AFG's common stock is listed on the New York Stock Exchange ("NYSE"), there can be no assurance as to the liquidity of the trading market or the price at which shares can be sold. The price of the shares may decline substantially in response to a number of events or circumstances, including but not limited to: • adverse developments in our financial condition or results of operations; changes in the actual or perceived risk within our **insured portfolio; changes to regulatory status; changes in investors' or analysts' valuation measures for our stock; adverse changes in analysts' recommendations regarding our stock; market perceptions of our success, or lack thereof, in pursuing and implementing our Specialty Property and Casualty Insurance and Insurance Distribution businesses and our new business strategy more generally; the impact or perceived impact of any acquisition, disposition or other strategic transactions, including entry into a new line of business, on the value or long- term prospects of the Company; failure to receive regulatory approval for the sale of our** Legacy Financial Guarantee ("LFG") insured portfolio; ~~Ambac Financial Group, Inc¹³ 2023 Form 10- K, • changes to regulatory status; • changes in investors' or analysts' valuation measures for our stock; • market perceptions of our success, or lack thereof, in pursuing and implementing our Specialty Property and Casualty Insurance and Insurance Distribution businesses and our new business strategy more generally; • the impact or perceived impact of any acquisition, disposition or~~ **failure to complete** other strategic transaction, including entry into a new line of business or the sale of all or **our** a part of the LFG business ; ~~on the value or for any long- term prospects of the~~ **other Company reason** ; • adverse developments in the industries and markets in which we operate, including the property and casualty insurance, underwriting and brokerage industries, or the fixed income and equity capital markets; • adverse market and / or economic conditions, such as those caused by a recession or inflation, which increase our risk of loss on insurance policies and depress the value and / or liquidity of our investments and other assets; • adverse developments in current or future litigations; and • results and actions of other participants in our industries. The price of AFG's shares may also be affected by the risks described below ; ~~including risks associated with AAC's ability to deliver value to AFG . Investments in AFG's common stock may be subject to a high degree of volatility. AFG may not be able to realize value from its LFG businesses. The value of AFG's common stock is partially dependent upon realizing residual value from AAC by means of a full or partial sale and / or the receipt of dividends. While AFG is exploring strategic options, including the possibility of a full or partial sale of AAC and Ambac UK, AFG can provide no assurance that such a transaction will be consummated or, if consummated, whether the value obtained will ultimately prove to be greater than the value of the LFG business reflected in AFG's common stock or that could be realized in a longer- term run-off scenario. AFG may be unable to secure a binding offer for the full or partial sale of the LFG business on terms viewed as acceptable by the Board of Directors of AFG or at all. If an acceptable offer is made and accepted, the closing of the sale would be subject to several conditions, including regulatory and other approvals, which may not be satisfied. In the absence of a full or partial sale of the LFG business, the Company plans to continue to actively run-off the LFG business. See Part I, Item I. Description of Business- Legacy Financial Guarantee Insurance. There can be no assurance that AFG will be able to realize residual value through receiving dividends from the continued run-off of AAC. AFG's ability to realize residual value from AAC will depend upon, amongst other considerations, AAC's ability to satisfy all of its obligations that are senior to AFG's equity interests, including obligations to policyholders, surplus note holders and preferred stock holders. AAC's ability to satisfy all of its obligations that are senior to AFG's equity depends on a number of considerations, including its ability to recover losses previously paid; avoid material losses from litigation; mitigate losses from its insured portfolio, which is subject to significant risks and uncertainties, including as a result of varying potential perceptions of the value of AAC's guarantees and securities; realize material value from its investment in Ambac UK; and repay and / or restructure its indebtedness in a timely manner such that accruing interest costs are manageable. Payments of principal and interest on AAC's surplus notes are subject to the express approval of the Wisconsin OCI. Increased loss development in the LFG insured portfolio, or significant losses from litigation or other events or circumstances may prompt OCI to determine that it is in the best interests of policyholders to initiate rehabilitation proceedings with respect to AAC or to issue supervisory orders that impose restrictions on AAC, either preemptively or in response to any such event or circumstance. If OCI were to decide to initiate rehabilitation proceedings with respect to AAC, adverse consequences may result, including, without limitation and absent enforceable protective injunctive relief, the assertion of damages by counterparties, the acceleration of losses based on early termination triggers, and the loss of control rights in insured transactions. Any such consequences may reduce or eliminate any residual value of AAC for AFG. Additionally, the rehabilitator would assume control of all of AAC's assets and management of AAC. In exercising control, the rehabilitator~~

would act solely for the benefit of policyholders, which may result in material adverse consequences for our security holders. Similar risks would arise if Ambac UK were to become subject to a proceeding to protect the interests of its policyholders, in which case AAC's ability to realize value from Ambac UK (and consequently AFG's ability to realize value from AAC) would diminish. If OCI were to issue supervisory orders imposing restrictions on AAC, AAC's ability to satisfy its obligations to policyholders or creditors, or its ability to deliver value to AFG, may be significantly constrained. Due to the above considerations, as well as applicable legal and contractual restrictions described elsewhere herein, substantial uncertainty remains as to AAC's ability to pay dividends to AFG and the timing of any such dividends. Ambac is planning to further develop and expand its Specialty Property and Casualty Insurance and Insurance Distribution businesses; however, such plans may not be realized, or if realized, may not create value and may negatively impact our financial results. The value of AFG's common stock depends in part upon the ability of Ambac **Financial Group, Inc** to generate earnings apart from the LFG business. **10 2024 Form 10- K**, Ambac is planning to further develop and expand its Specialty Property and Casualty Insurance and Insurance Distribution businesses. Such plans may involve additional acquisitions of assets or existing businesses and the development of businesses through new or existing subsidiaries. Currently, it is not possible to fully predict the future prospects or other characteristics of such businesses . **We may not be able to successfully identify opportunities, attract specialized underwriting and other talent, and operationalize new Insurance Distribution businesses in a timely or cost- efficient manner**. While we expect to conduct business, financial and legal due diligence in connection with the evaluation of any future business or acquisition opportunities, there can be no assurance our due diligence will identify every matter that could have a material adverse effect on us. Efforts to pursue certain business opportunities may be **Ambac Financial Group, Inc 14 2023 Form 10- K** unsuccessful or require significant financial or other resources, which could have a negative impact on our **growth plans**, operating results and financial condition. To implement our growth strategy, we must be able to meet our capital needs, expand our systems and our internal controls effectively, allocate our human resources optimally, identify and hire qualified employees and effectively integrate any acquisitions we make in our effort to achieve growth. No assurance can be given that Ambac will successfully execute its plans for new business, generate any earnings or value from new businesses or be able to successfully integrate any such business into our current operating structure. The failure to manage our growth effectively could have a material adverse effect on our business, financial condition and results of operations. Our **business performance and growth plans could be negatively affected if we are not able to, among other things, gain internal efficiencies through the application of effective technology across our businesses, integrate operations, and / or innovate product and operational solutions.** Conversely, investments in internal systems or innovative product offerings may fail to yield sufficient return to cover their investment. Our ability to successfully manage ongoing organizational changes could impact our business results, where the level of costs and / or disruption may be significant and change over time, and the benefits may be less than we originally expect. Should changes in Ambac's circumstances or financial condition or in the political, economic and / or legal environment occur, there can be no assurance that all or any part of our strategy and / or initiatives will not be abandoned or amended to take account of such changes. Any such adjustment or abandonment may have a material adverse effect on our securities. Risks Related to the **Sale of AAC** **The sale of the common stock of Ambac Assurance Corporation may not be completed as anticipated, or at all. The closing of the AAC Sale is conditioned on, among other things, the receipt of specified regulatory approvals. In addition, the purchase agreement relating to the AAC Sale (the " Purchase Agreement") provides for certain termination rights. Buyer and AFG may terminate the Purchase Agreement by mutual written agreement at any time prior to the closing date. In addition, either Buyer or AFG may terminate the Purchase Agreement at any time prior to the closing by giving written notice to the other party if • the closing has not been consummated on or before April 4, 2025 (the " End Date"); provided, however, that if the closing has not occurred solely due to the failure to obtain applicable governmental and regulatory approvals from the authorities including, but not limited to, the OCI, the End Date will be automatically extended for an additional ninety (90) days and the parties agree to continue to use their respective reasonable best efforts to satisfy such conditions to closing; provided, further, that the right to terminate the Purchase Agreement for the foregoing is not available to any party whose breach of any provision of the Purchase Agreement results in the failure of the closing to be consummated; or • (i) applicable law makes the consummation of the closing illegal or otherwise prohibited or (ii) any judgment, injunction, order or decree of any governmental authority enjoins Buyer and AFG from consummating the closing. The Purchase Agreement may be terminated by Buyer by written notice to AFG if a breach of any representation or warranty or failure to perform any covenant or agreement shall have occurred that would cause certain conditions not to be satisfied, and such breach is not cured within sixty (60) days of written notice to AFG or is incapable of being cured by the End Date. Additionally, the Purchase Agreement may be terminated by Buyer if at any time the AFG Board of Directors effects an Ambac Board Recommendation Change (as defined in the Purchase Agreement). The Purchase Agreement may be terminated by AFG by written notice if a breach of any representation or warranty or failure to perform any covenant or agreement shall have occurred that would cause certain conditions not to be satisfied, and such breach is not cured within sixty (60) days of written notice to Buyer or is incapable of being cured by the End Date. The total proceeds realized from the AAC Sale are contingent upon satisfaction of various closing conditions. There can be no assurance that the conditions will be satisfied. Any delay in satisfying the closing conditions may increase the risk that the AAC Sale will be terminated, or reduce the benefits we expect to achieve. The AAC Sale and the other transactions contemplated by the Purchase Agreement, whether or not completed, may adversely affect the retained business. Transactions such as the AAC Sale are often subject to lawsuits by stockholders. It is possible that certain common stockholders or other stakeholders will commence or seek to commence litigation against Ambac or the Ambac Board. Such litigation could result in substantial costs and divert management's attention from other business concerns, which could adversely affect Ambac's specialty property and casualty insurance and its insurance distribution businesses that Ambac will continue to operate following**

the completion of the AAC Sale (the "Retained Business"). As a result of the AAC Sale, we may experience higher employee turnover and finding qualified replacements may be more difficult. The loss of the services of members of our executive and / or senior management teams or our inability to hire and retain other talented personnel could delay or prevent us from succeeding in executing our strategies, which could negatively impact the Retained Business. Further, while the completion of the AAC Sale is pending, we may be unable to attract and retain key personnel and our management's focus and attention and employee resources may be diverted from operational matters. Ambac Financial Group, Inc. 11 2024 Form 10-K If we fail to complete the AAC Sale and the other transactions contemplated by the Purchase Agreement, our business and financial performance may be adversely affected, including in the event Ambac is required to pay the Termination Fee. The completion of the AAC Sale and the other transactions contemplated by the Purchase Agreement is subject to the satisfaction or waiver of various conditions, which may not be satisfied in a timely manner or at all. If the AAC Sale is not completed, we will not recoup the costs incurred in connection with negotiating the AAC Sale and the other transactions. Our directors, executive officers and other employees will have expended extensive time and effort and will have experienced significant distractions from their work during the pendency of the AAC Sale, and we will have incurred significant third-party transaction costs, in each case, without any commensurate benefit, which may have a material and adverse effect on our stock price and results of operations. Furthermore, if the AAC Sale and the other transactions contemplated by the Purchase Agreement are not completed, the announcement of the termination of the Purchase Agreement may adversely affect our relationships with our customers, business partners and employees, which could have a material adverse impact on our ability to effectively operate our business, and we may be required to pay the Termination Fee of \$ 22, 000 under certain circumstances, each of which could have further adverse effects on our business, results of operations and the trading price of AFG's common stock. Additionally, we intend to use the proceeds of the AAC Sale to repay all or a portion of the debt used to fund the acquisition of 60 % of the share capital of Beat Capital Partners Limited. If we do not consummate the AAC Sale then we will need to repay or refinance such debt with other sources of funds, which may not be available on favorable terms or at all. An inability to repay the debt used to fund the acquisition of Beat from proceeds of the AAC Sale or other sources, or an inability to refinance such debt on favorable terms or at all, may materially negatively affect our business and results of operations. If the AAC Sale is not approved by AAC's and Ambac UK's regulators or if we fail to complete the AAC Sale for any other reason, there may not be any other offer from a potential acquiror that the AFG Board determines to be attractive. If we fail to complete the AAC Sale, the Board of Directors of AFG, in discharging its fiduciary obligations to our stockholders, may evaluate other strategic alternatives including, but not limited to, continuing to operate AAC and the Legacy Financial Guarantee Insurance business for the foreseeable future or an alternative transaction relating to AAC or Ambac. An alternative transaction, if available, may yield lower consideration or value than the proposed AAC Sale, be on less favorable terms and conditions than those contained in the Purchase Agreement and involve significant delay. Any future sale of substantially all of Ambac's property and assets within the meaning of Section 271 of the Delaware General Corporation Law and related case law or other similar transaction may be subject to stockholder approval, and there is no guarantee that Ambac would be able to obtain such stockholder approval in favor of any such sale or other transaction. If the Legacy Financial Guarantee Insurance business is not sold, there can be no assurance that we will realize value at least equivalent to the proceeds of the AAC Sale from the operation of the Legacy Financial Guarantee Insurance business over time, or any value; nor can we predict the timeline for realizing value, if any, from the Legacy Financial Guarantee Insurance business in the absence of the AAC Sale.

Risks Related to the Company's Business Loss

Business We are subject to reputational harm if companies with which we do business engage in negligent or fraudulent behaviors and damage to our reputation could materially adversely impact our business. Our business depends on contractual and working relationships with insurance distribution partners, insurance carriers, reinsurers, policy holders and beneficiaries, third party administrators, and other agents and counterparties. We could suffer material financial loss, reputational harm and / or a loss of business prospects if a business partner, agent or counterparty engages in negligent or fraudulent conduct, whether directly in our relationship with them or indirectly as a result of their conduct in other business relationships. Ambac may be adversely impacted by P & C industry market cycles. Ambac's P & C businesses are subject to market cycles. Premium pricing in the commercial property and casualty insurance markets has been historically based on underwriting capacity of insurance carriers, general economic conditions, inflation, and other factors. In recent years, we have been in a "hard" market whereby carriers have been raising rates. However, we have observed that in certain lines of business the rate of pricing increase has slowed or begun to decrease. If carriers lower premium rates more broadly this would be referred to as a "softening" or "soft" market. Given that Ambac generates revenue from both insurance premiums and commissions that are based on insurance premiums, our revenues are affected by the cyclical nature of the markets in which we operate. If we enter a soft market, absent mitigating factors, we may experience a reduction in revenues and profits. Loss reserves for the LFG business may not be adequate to cover potential losses, including losses caused by catastrophic events, and changes in loss reserves may result in further volatility of net income and comprehensive income. LFG loss reserves are established when management has observed credit deterioration in its insured credits. Loss reserves established with respect to our LFG insurance policies issued to beneficiaries are based upon estimates and judgments by management, including estimates and judgments with respect to the probability of default; the severity of loss upon default; management's ability to execute policy commutations, restructurings and other loss mitigation strategies; and estimated subrogation and other loss recoveries. The objective of establishing loss reserve estimates is not to, and our loss reserves do not, reflect the worst possible outcomes. While our reserving scenarios reflect a wide range of possible outcomes (on a probability weighted basis), reflecting the uncertainty regarding future developments and outcomes, our loss reserves may change materially based on future developments. As a

result of inherent uncertainties in the estimates and judgments made to determine loss reserves, there can be no assurance that either the actual losses in our financial guarantee insurance portfolio will not exceed such reserves or that our reserves will not materially change over time as circumstances, events, our assumptions, or our models change. Catastrophic events, whether natural or man-made, including natural disasters and environmental and public health events that result in material disruption of economic activity, loss of human life or significant property damage, can have a materially negative impact on our financial and operational performance. **Ambac Financial Group, Inc** Such stresses could result in liquidity strains or permanent losses. **12 2024 Form 10-K** Public health crises and / or natural disasters can cause economic and financial disruptions that may adversely affect, our business and results of operations. **For example, AAC insures the..... obligations insured by AAC and Ambac UK.** Everspan may be exposed to losses arising out of unpredictable catastrophic events. These include natural catastrophes and other disasters, such as hurricanes, earthquakes, windstorms, floods, wildfires, and severe winter weather. Catastrophes can also include man-made disasters, such as terrorist attacks and other destructive acts, war, political unrest, explosions, cyber-attacks, nuclear, biological, chemical or radiological events and infrastructure failures. A severe catastrophe or a series of catastrophes could result in losses exceeding Everspan's reinsurance protection and may have a material adverse impact on our results of operations or financial condition. **Changing weather Catastrophic events may cause significant volatility in the markets in which we operate in addition to the global financial markets. Disruptions to these markets could result in a decline in business activity, increased claims, reduced underwriting capacity from insurance companies, reinsurers and other capital providers upon which our P & C businesses are reliant. Catastrophic events may also interrupt the operations of our agents and business partners that distribute our P & C insurance products. Profit commissions and climate change contingent commissions related to certain of our P & C business lines may also be adversely impacted by catastrophic losses. Individually and / or collectively, these results may have a material adverse impact on** added to the unpredictability, frequency and severity of weather-related catastrophes incurred by the property and casualty insurance industry in recent years. These changing weather patterns make it more difficult to predict and model catastrophic events, reducing our **results of operations** ability to accurately price exposure to such events and **financial condition** mitigate its risks. Further, we use internally developed and third-party vendor tools and models to assess exposure to **losses, including catastrophic catastrophic** losses. The models assume various conditions and probability scenarios and may not accurately predict future losses or measure losses -- **loss development** currently incurred. Limitations in these tools and models may **Ambac Financial Group, Inc 15 2023 Form 10-K** adversely affect our results of operations and financial condition. The ultimate impact of a catastrophic event **We could realize losses from our cash and investment accounts if on one of the financial institutions we use fail or is taken over by regulators We maintain cash and investment accounts, including premium trust accounts, at depository institutions in amounts in excess of the limits insurers insured by the FDIC and in countries other than the U. S. If one or more of these institutions were to fail or be taken over by their obligations respective regulators, and our access to the these funds could** economy in general, is by its very nature uncertain, and will be determined by a number of factors including, but not limited to, the depth and duration of..... ability to operate could be materially impaired and we could suffer material permanent **experience liquidity problems and potential financial** losses and therefore may have an adverse effect on our results of operations and financial condition. Counterparties that service aspects of our business may be similarly impacted and, if their operations are impaired due to a catastrophe, it may be difficult or costly to us to find alternatives to such servicing capabilities. AAC and Ambac **UK are subject to credit and other..... the debt insured by AAC and AAC's cash balances held at banks was \$ 36** ability to recover claims paid in the future. If the issuers of the obligations in the public finance portfolio are unable to raise taxes, **190 thousand as** cut spending, or receive federal or state assistance, or if such issuers default or file for bankruptcy under Chapter 9 or for similar relief under other laws that allow for the adjustment of debts **December 31, 2024** AAC may experience liquidity claims and / or ultimate losses on those obligations, **including cash of Ambac** which could adversely affect the Company's business, financial condition and results of operations. Issuers in Chapter 9 or similar proceedings may obtain judicial rulings and orders that impair creditors' rights or their ability to collect on amounts owed. In certain cases, judicial decisions may be contrary to AAC's expectations or understanding of the law or its rights thereunder, which may lead to worse outcomes in Chapter 9 or similar proceedings than anticipated at the outset. As the runoff of the insured **insurance** portfolio continues, the proportion **distribution subsidiaries held in regional banks** of exposures we rate **\$ 35, 552 thousand** as below investment grade relative to the aggregate insured portfolio may increase, leaving the portfolio increasingly concentrated in higher risk exposures and heightening risks associated with large single risk exposures to particular issuers, losses caused by catastrophic events (including public health crises, terrorist acts and natural disasters), and losses in respect of different **December 31, but correlated, credit exposures. These..... Ambac Financial Group, Inc 16 2023 2024 . Form 10-K** Our risk management policies and practices may not adequately identify significant risks. **We** As described in Part I, Item 1, "Risk Management" in this Annual Report on Form 10-K, we have established risk management policies and practices which seek to mitigate our exposure to credit risk in our legacy financial guarantee insured portfolio. Ongoing surveillance of credit risks in our legacy financial guarantee insured portfolio is an important component of our risk management process. These policies and practices in the past have not insulated us from risks that were unforeseen and which had unanticipated loss **losses within our insurance programs** severity, and such policies and practices may not do so in the future. There can be no assurance that these policies and practices will be adequate to avoid future **unexpected** losses or **adverse development within our existing loss reserves**. If we are not able to identify significant risks, we may not be able to timely mitigate such risks, thereby increasing the amount of losses to which we are exposed. **An inability to identify significant risks could also result in the failure to timely establish loss reserves that are sufficient in relation to such risks.** We operate within an enterprise risk management ("ERM") framework designed to assess and monitor risks. However, no assurance can be given that we will effectively identify, review, monitor or manage all relevant risks. Nor can we provide assurance that our ERM framework will result in us accurately identifying all risks and adequately limiting our exposures based on our

assessments. Any ineffectiveness in our controls or procedures or failure to manage these risks may have an adverse effect on our results of operations and financial condition. The Settlement Agreement, Stipulation and Order..... reserves and / or investment impairments. We are subject to the risk of litigation and the outcome of proceedings we are or may become involved in could have a material adverse effect on our business, operations, financial position, profitability or cash flows. ~~AAC is defending or otherwise involved in various lawsuits relating to its LFG business. Please see Note 19. Commitments and Contingencies to the Consolidated Financial Statements included in Part II, Item 8 in this Annual Report on Form 10-K for information on various proceedings.~~ It is not possible to predict the extent to which ~~additional~~ suits involving AFG, AAC or one or more other subsidiaries will be filed, and it is also not possible to predict the outcome of litigation. It is possible that there could be unfavorable outcomes in existing or future proceedings. Management may be unable to make meaningful or reasonable estimates of the amount or range of losses that could result from unfavorable outcomes or of the expenses that will be incurred in connection with such lawsuits. Under some circumstances, adverse results in any such proceedings and / or the incurring of significant litigation or other expenses could be material to our business, operations, financial position, profitability or cash flows. ~~Ambac Financial Group, Inc 17 2023 Form 10-K~~ Everspan may be subject to disputes with policyholders regarding the scope and extent of coverage offered under Everspan's policies; be required to defend claimants in suits against its policyholders for covered liability claims; face allegations of improper claims handling; or enter into commercial disputes with its reinsurers, MGA / Us or TPAs regarding their respective contractual obligations and rights. Under some circumstances, the results of such disputes or suits may lead to liabilities beyond those which are anticipated or reserved, **including extra-contractual liabilities or liabilities in excess of policy limits**. Political developments may materially adversely affect our business. Our insurance businesses and our results of operations can be materially affected by political developments at the federal, state, ~~and / or~~ local or foreign government levels. Government shutdowns, trade disputes, political turnover, judicial decisions, adverse changes in governmental funding, or poor public policy decision making could disrupt the national, international and local economies where we **operate and / or** have insured exposures. ~~In addition~~ **Risks include adverse changes in rules, regulations we are exposed to correlation risk as a result of the possibility that multiple credits, counterparties, compliance requirements, employment practices, taxes, business or portfolios may concurrently and / or consecutively experience losses or increased stress as a result of any such event or series services of events and currencies**. We operate in a highly regulated industry and our business will be negatively affected if we are not able to anticipate and keep pace with rapid changes in government laws and regulations or if government laws and regulations impair our business or increase our costs. Our U. S. ~~LFG and~~ Specialty Property and Casualty Insurance subsidiaries are highly regulated as insurance carriers in the States of their domicile and the jurisdictions in which they are licensed. Our ~~Ambac Financial Group, Inc 13 2024 Form 10-K~~ owned MGA / Us and insurance brokerage subsidiaries are also required to maintain certain entity- level licenses **in those jurisdictions and / or the international countries in which they operate**, as well as licenses of individual officers or representatives that are essential to their ability to conduct business. Each of the foregoing must also comply with laws generally applicable to insurance entities, including those relating to governance, capital, and operational requirements. Government laws and regulations applicable to our businesses develop and change rapidly in response to consumer demands and public policies. State legislatures and insurance departments place increasing burdens on insurance carriers and producers with respect to matters such as cybersecurity, data privacy, management of technology, corporate governance, environmental and social issues, and enterprise risk management. Such laws and regulations require substantial resources to ensure that the Company has appropriate and effective compliance programs in place. If we are unable to keep pace with changes in applicable law and regulations, or if we otherwise fail in our compliance efforts, the Company may be subject to fines, sanctions, governmental orders or modifications to business practices that individually or collectively impair our business or increase our costs, possibly materially. In addition, the Company from..... the capital position becoming deficient once again. Everspan may not be successful in executing its business plans or may experience greater than expected insurance underwriting losses and / or reinsurance counterparty losses, which could result in losses material to Everspan's capital position, a downgrade of its AM Best rating and a loss of its franchise value. Such events could have a material adverse impact on the value of AFG's shares. Everspan is in the early stage of developing a portfolio of specialty insurance program business. Its business plan entails establishing programs with program administrators, managing general agents and managing general underwriters (" MGA / Us"), with claims handled by TPAs. The success of these programs is dependent upon the quality of insurance risk underwritten by the MGA / Us, the quality of underwriting and operational performance, as well as oversight, of the MGA / Us and TPAs by ~~Ambac Financial Group, Inc 18 2023 Form 10-K~~ Everspan, the quality and creditworthiness of reinsurance obtained with respect to the underlying risks, loss experience over time, premium levels, competition and other factors, some of which are outside Everspan's control. Should Everspan fail in executing its business plans or experience greater than expected losses due to operational issues, poor risk selection, default or failure to perform by reinsurers, failure to timely realize ultimate loss exposure, a departure of qualified MGA / Us from the industry, enhanced scrutiny from regulators or ratings agencies specific to the program business model, failure to collect amounts due to it or other factors, Everspan may suffer losses that are material to its capital position, a downgrade in its AM Best rating and / or a loss of its franchise value. Any such outcomes could have a material adverse impact on the value of AFG's shares. A downgrade in the AM Best financial strength rating of Everspan may negatively affect our business. The financial strength of Everspan is evaluated by AM Best, which issues a " FSR **"**, an important factor in establishing the competitive position of Everspan. The FSR reflects AM Best's opinion of Everspan's financial strength, operating performance, strategic position and ability to meet obligations to policyholders, and are not evaluations directed to investors. Everspan's FSR is subject to periodic review, and the criteria used in the rating methodologies are subject to change. All of the insurance companies that comprise Everspan are rated " A-" (Excellent). A downgrade in Everspan's FSR could make it more difficult to sell insurance policies and Everspan's distribution channels may cease to transact with them, which would adversely affect our business, financial condition and results of operations. Failure of Everspan's Program Partners to properly market, underwrite or administer policies

could adversely affect us. The marketing, underwriting, administration and servicing of policies in our Specialty Property and Casualty Insurance business have been contracted to the MGA / Us with which Everspan transacts. Any failure by the MGA / Us or TPAs to properly handle these functions could result in liability to us. Even though the MGA / Us and TPAs with which Everspan transacts may be required to indemnify Everspan for any such liability or monetary losses, there are risks for which indemnity may be insufficient or entirely unavailable if, for example, the relevant program partner becomes insolvent or is otherwise unable to pay us. Furthermore, any failure to properly handle the marketing, underwriting, administration and servicing of policies in our Specialty Property and Casualty Insurance business could also create regulatory issues or harm our reputation, which could materially and adversely affect our business, financial condition and results of operations. If in our Specialty Property and Casualty Insurance business we are unable to accurately underwrite risks and charge competitive yet profitable rates to our clients and policyholders, our business, financial condition and results of operations may be adversely affected. In general, the premiums for our Specialty Property and Casualty Insurance policies are established at the time a policy is issued and, therefore, before all of our underlying costs are known. Like other property and casualty insurance companies, Everspan relies on estimates and assumptions in setting its premium rates. Establishing adequate premium rates is necessary, together with investment income, to generate sufficient revenue to offset losses, loss adjustment expenses, acquisition costs and general and administrative expenses in order to earn a profit. The rate environment is also subject to market cycles, which can be difficult to predict and make it difficult to adequately price risk. If Everspan does not accurately assess the risks that it assumes, it may not charge adequate premiums to cover its losses and expenses, which would adversely affect our results of operations and our profitability. Alternatively, Everspan could set its premiums too high, which could reduce its competitiveness and lead to lower policyholder retention, resulting in lower revenues. Pricing is a highly **Ambac Financial Group, Inc. 14 2024 Form 10-K** complex exercise involving the acquisition and analysis of historical loss data and the projection of future trends, loss costs, expenses, and inflation trends, among other factors, for each of Everspan's products in multiple risk tiers and many different markets. Everspan seeks to implement its pricing accurately in accordance with its assumptions. Everspan's ability to undertake these efforts successfully and, as a result, to accurately price its policies, is subject to a number of risks and uncertainties, including insufficient or unreliable data; incorrect or incomplete analysis of available data; uncertainties generally inherent in estimates and assumptions; failure to implement appropriate actuarial projections and ratings formulas or other pricing methodologies; regulatory constraints on rate increases; failure to accurately estimate investment yields and the duration of liabilities for losses and loss adjustment expenses; disagreements with reinsurers or the MGA / Us with whom Everspan transacts as to the adequacy of pricing assumptions; and unanticipated court decisions, legislation or regulatory action. If Everspan is unable to obtain reinsurance coverage at reasonable prices or on terms that adequately protect it, we may be required to bear increased risks or reduce the level of our underwriting commitments. Everspan purchases reinsurance as part of its overall risk management strategy. While reinsurance does not discharge our insurance subsidiaries from their obligations to pay claims for losses insured under their insurance policies, it does make the reinsurer liable to them for the reinsured portion of the risk. At the inception of a new program, Everspan generally acts as an issuing carrier and reinsures a majority of such risk to third parties in contracts that are generally subject to term limitations or termination rights. Everspan may be unable to maintain its current reinsurance arrangements or to obtain other reinsurance in adequate amounts and at favorable rates, particularly if reinsurers become unwilling or unable to support our specialty property and casualty business in the future. Additionally, market conditions beyond our control may impact the availability and cost of reinsurance and could have an adverse effect on our business, financial condition and results of operations. A decline in the availability of reinsurance may increase the cost of reinsurance and materially and adversely affect our business prospects. Everspan may, at certain times, be forced to incur additional costs for reinsurance or may be unable to obtain sufficient reinsurance on acceptable terms or from **Ambac Financial Group, Inc. 19 2023 Form 10-K** reinsurers which satisfy Everspan's criteria as acceptable security. In the latter case, Everspan would have to accept an increase in exposure to risk, reduce the amount of business written by it or seek alternatives in line with Everspan's risk limits, all of which could adversely affect our business, financial condition and results of operations.

~~Counterparties to whom we outsource functions, including policy and claims administration, such as MGAs and TPAs, may default on their operational and financial obligations to us. We have outsourced certain processes and functions to~~ **may be adversely affected by failures in services or products provided by third parties . We outsource over which we have no control and may continue to do so in further outsource certain technology and business process functions, and rely upon third- party vendors, agents and contractual counterparties for the other future essential services and information .**

~~Outsourcing functions to third parties exposes us to increased risk related to service disruptions .~~ **If we do not effectively develop, implement and monitor our vendor, agency and contractual counterparty relationships and the financial condition of such third parties, if third party providers do not perform as anticipated, if we experience technological or other problems, or if vendor, agency or other contractual relationships relevant to our business process functions are terminated, we may not realize expected productivity improvements or cost efficiencies and may experience operational difficulties, increased costs and a loss of business .** Further, we may suffer financial losses if a counterparty defaults on a financial obligation to us, including with respect to insurance agency commissions which adjust over time. **Moreover** ~~If we do not effectively develop, implement and monitor these relationships and the solvency of our counterparties, the providers do not perform as anticipated, technological or other problems are incurred, or such relationships are terminated, we may not realize expected productivity improvements or cost efficiencies and may experience operational difficulties, increased costs, and a loss of business. Further,~~ policyholders and claimants may suffer delays or lapses in service levels which may create extra-contractual exposures. The increased risks identified above could expose us to disruption of service, monetary and reputational damages, competitive disadvantage and significant increases in compliance costs. **Our insurance carrier subsidiaries are subject to..... costs and a loss of business.** A material failure by an external service **or provider,** information provider **, agent or counterparty,** or a material defect **or default** in the products, services or information provided thereby **,** could adversely affect

our financial condition and results of operations. Our outsourcing of certain technology and business process functions to third parties may expose us to increased risk related to data security, service disruptions or the effectiveness of our control system. These risks could increase as vendors increasingly offer cloud- based software services rather than software services which can be run within our data centers or as we choose to move additional functions to the cloud. Our **Our insurance carrier subsidiaries are subject to** reinsurance counterparty credit risk. Their reinsurers may not pay on losses in a timely fashion, or at all. Our insurance carrier subsidiaries purchase reinsurance to transfer part of the risk they have underwritten to reinsurance companies in exchange for part of the premium they receive in connection with the risk. Although reinsurance makes reinsurers liable to our carriers for the risk transferred or ceded to the reinsurers, it does not relieve our insurance carrier subsidiaries of their liabilities to policyholders. Accordingly, our insurance carrier subsidiaries are exposed to credit risk with respect to their reinsurers, especially to the extent reinsurance receivables are not sufficiently secured by collateral or do not benefit from other credit enhancements. Our insurance carrier subsidiaries also bear the risk that they are unable to receive, or there is a substantial delay in receiving, the reinsurance recoverable for any reason, including that the terms of the reinsurance contract do not reflect the intent of the parties to the contract; there is a disagreement between the parties as to their intent; the terms of the contract cannot be legally enforced; the terms of the contract are interpreted by a court or arbitration panel differently than intended by our insurance carrier subsidiaries; the reinsurance transaction performs differently than our insurance carrier subsidiaries anticipated due to a flawed design of the reinsurance structure, terms or conditions; or changes in law and regulation, or in the interpretation of laws and regulations, affects a reinsurance transaction. These risks ~~may~~ **my** be exacerbated to the extent that our insurance carrier subsidiaries' reinsurance recoverables are overly concentrated with one or a small subset of reinsurers. The insolvency of one or more of our insurance carrier subsidiaries' reinsurers, or their inability or unwillingness to make timely payments if and when required under the terms of ~~Ambac Financial Group, Inc. 15 2024 Form 10- K~~ reinsurance contracts, ~~could adversely affect our business, financial condition and results of operations.~~ **Everspan's insurance carriers may be subject to counterparty credit risk associated with its MGA / U distribution partners. Everspan may be subject to the risk that its MGA / U program partners fail to meet their financial obligations to Everspan or policyholders as it relates to premiums payable, return premiums, sliding scale commissions and return commissions. This risk may be exacerbated to the extent that Everspan has financial obligations to its reinsurers under reinsurance agreements that do not absolve Everspan of for credit risk or non-payment by the MGA / U program partner. The insolvency of one or more of our MGA / U program partners, or their inability or unwillingness to make timely payments if and when required under the terms of program agreements, could adversely affect our business, financial condition and results of operations. If actual claims exceed loss and loss adjustment expense reserves for Everspan, or if changes in the estimated level of loss and loss adjustment expense reserves are necessary, including as a result of, among other things, changes in the legal / tort, regulatory and economic environments in which Everspan operates, our financial results could be materially and adversely affected. Loss and loss adjustment expense reserves represent management estimates of what the ultimate settlement and administration of claims will cost. These estimates are developed using common and industry accepted actuarial techniques. Nevertheless, the process of estimating loss and loss adjustment expense reserves involves a high degree of judgment and is subject to a number of variables, which can be affected by internal and external events, such as changes in claims handling, changes in loss cost trends, catastrophic events and social inflation. Elevated social inflation trends are likely to continue. Social inflation, which includes increased litigation, partially supported by access to litigation financing; changes in social norms; an erosion of the public sentiment towards insurers' interpretation of coverage levels and limits; and increased damage awards by juries, may make it difficult for Everspan to estimate loss reserves, establish adequate product pricing, and maintain a strong competitive position with consumers. Moreover, the impact of catastrophic events may not be adequately reflected in claims reserves and, accordingly, could adversely impact results. Catastrophic losses are caused by wind and hail, wildfires, tornadoes, hurricanes, tropical storms, earthquakes, severe freeze events, volcanic eruptions, terrorism, cyber attacks, civil unrest, and industrial accidents and other such events. We also face potential exposure to various types of new and emerging tort claims which were not known or anticipated when our insurance products were originally priced. The impact of many of these items on ultimate costs for claims and claim adjustment expense reserves could be material and is difficult to estimate. Our ability to grow Everspan will depend in part on the addition of new Program Partners, and our ability to effectively onboard such new Program Partners could have an adverse effect on our business, financial condition and results of operations. Our ability to grow Everspan will depend in part on the addition of new MGA / Us. If Everspan does not effectively and timely source, evaluate and onboard new MGA / Us, including assisting such MGA / Us to quickly resolve any post- onboarding matters and provide effective ongoing support, Everspan's ability to add new MGA / Us and its relationships with its existing Program Partners could be adversely affected. Additionally, Everspan's **Ambac Financial Group, Inc 20 2023 Form 10- K** reputation with potential new MGA / Us could be damaged if it fails to effectively onboard MGA / Us with whom it has signed definitive legal agreements. Such reputational damage could make it more difficult for Everspan to attract new and retain existing program partners, which could have an adverse effect on our business, financial condition and results of operations. We compete with a large number of companies in the property and casualty insurance industry for underwriting premium. We compete with a large number of companies in the property and casualty insurance industry for underwriting premium. During periods of intense competition for premium, in particular, our Specialty Property and Casualty Insurance and Insurance Distribution businesses may be challenged to maintain competitiveness with other companies that may seek to write policies without the same regard for risk and profitability targeted by our Specialty Property and Casualty Insurance and Insurance Distribution businesses. During these times, it may be difficult for Everspan or our MGA / Us to grow or maintain premium volume without ~~the unattractive options of~~ lowering underwriting standards, sacrificing income, or both. In addition, our Specialty Property and Casualty Insurance and Insurance Distribution businesses face competition from a wide range of specialty insurance companies, underwriting agencies and intermediaries, **as well as diversified financial services companies** that are significantly larger than our **Specialty specialty Property property and Casualty casualty Insurance****

insurance and **Insurance insurance** Distribution **distribution** businesses are and that have significantly larger financial, marketing, management and other resources. Some of these competitors also have longer standing and better established market recognition than **Everspan does Ambac's group companies**. The greater resources or market presence that these competitors possess may enable them to avoid or defray particular costs, employ greater pricing flexibility, have a higher tolerance for risk or loss, or exploit other advantages that may make it more difficult for us to compete. We may incur increased costs in competing for underwriting revenues in this environment. If we are unable to compete effectively in the markets in which our Specialty Property and Casualty Insurance and Insurance Distribution businesses operate or expand into, our underwriting revenues may decline, as well as overall business results. ~~Other competitive concerns include the entrance of technology companies into the insurance distribution business and the Ambac Financial Group, Inc. 16 2024 Form 10-K direct-to-consumer insurance carriers that do not utilize third party agents and brokers as production sources. Additionally, the insurance industry may experience consolidation, and therefore we may experience increased competition from insurance companies and the financial services industry, as a growing number of larger financial institutions increasingly, and aggressively, offer a wider variety of financial services, including insurance distribution services. While we collaborate and compete in these segments on a fee-for-service basis, we cannot be certain that such alternative markets will provide the same level of insurance coverage or profitability as traditional insurance markets. Technological changes to the way insurance is distributed, underwritten, and administered also present competitive risks. For example, our competitive position could be impacted if we are unable to cost-effectively deploy technology, such as machine learning and artificial intelligence, which collects and analyzes large sets of data to make underwriting or other decisions, or if our competitors collect and use data which we do not have the ability to access or use. In addition, usage-based methods of determining premiums (e.g., telematics) can impact product pricing and design and are becoming an increasingly important competitive factor. The landscape of law and regulation governing these areas presents additional risk to the extent we are unable to timely adapt to ensure compliance.~~ Impairment of intangible assets and goodwill, resulting from acquisitions, could adversely affect our results of operations. In connection with Ambac's acquisition of insurance distribution businesses **(MGA / Us and brokers)**, Ambac recorded the fair value of identifiable intangible assets (primarily related to distribution relationships) and goodwill. The intangible assets will be amortized over their remaining useful lives. The Company will test intangible assets for impairment if certain events occur or circumstances change indicating that the carrying amount of the intangible asset may not be recoverable. Goodwill will be tested for impairment annually or whenever events occur or circumstances change that may indicate impairment. Intangible asset and goodwill impairments are driven by a variety of factors, which could include, among other things, declining future cash flows of the acquired business as addressed in other risk factors related to the Insurance Distribution Business. Any intangible asset or goodwill impairment could adversely affect the Company's operating results and financial condition. Our Insurance Distribution businesses derive a significant portion of their commission revenues from a limited number of insurance companies **and Lloyd's syndicates**, the loss of any of which could result in lower commissions or loss of business production. The commissions of our MGA / Us and insurance broker **are were** derived from insurance policies underwritten **by on behalf of** a limited number of capacity providers, including insurance and reinsurance ~~insurance~~ companies, ~~Lloyd's syndicates and other capital providers~~ **insurance** companies. ~~Should one or more of these capacity providers insurance companies terminate its arrangements with our Insurance Distribution businesses or otherwise decrease the amount number of capacity provided insurance policies underwritten for it~~, we may lose significant commission revenues or lose significant business production while seeking other **insurance companies** sources of capacity. A number of our MGA / Us have material relationships with Lloyd's Syndicates 4242, and to a lesser extent Cadenza Re Limited, which are risk carriers that are serviced by Ambac group entities. A reduction in scale and/or appetite of these carriers whether in response to underwriting **underwrite** performance, regulatory considerations, availability of underwriting capital support, or otherwise may result in a loss of significant commission revenues. Furthermore, these ~~the~~ **business** carriers form the cornerstone capacity for some of our MGA / Us new launches and hence a deterioration in their activities will further inhibit new MGA / U launches. Our Insurance Distribution businesses, results of operations, financial condition and liquidity may be materially adversely affected by certain potential claims or proceedings. Our owned MGA / Us and insurance brokerage operating subsidiaries are subject to various potential claims and other proceedings, including those relating to alleged errors and omissions in connection with the placement or servicing of insurance and/or the provision of services in the ordinary course of business, of which we cannot, and likely will not be able to, predict the outcome with certainty. Because our MGA / Us and insurance brokerage operating subsidiaries often assist customers with matters involving substantial amounts of money, including the placement of insurance and the handling of related claims that customers may assert, errors and omissions, claims against it may arise alleging potential liability for all or part of the amounts in question. Also, the failure of an insurer with whom our MGA / Us and insurance brokerage operating subsidiaries place business could result in errors and omissions claims against it by its customers, which could adversely affect Ambac's results of operations and financial condition. Claimants may seek large damage awards, and these claims may involve potentially significant legal costs and damages. In addition, regardless of monetary costs, these matters could have a material adverse effect on our reputation and cause harm to carrier, customer or employee relationships, or divert personnel and management resources. Acquiring new MGA / Us is core to our Insurance Distribution business strategy. Risks associated with such endeavors could adversely affect our growth and results of operations. Acquisitions have been an important contributor of growth in the Insurance Distribution business and we believe that additional acquisitions will be important to **maintaining** future growth ~~building further operational scale and diversifying our sources of revenue~~. Failure to successfully identify and complete acquisitions likely would result in us achieving slower growth **and less operating scale**. Moreover, the failure of acquisition targets to achieve anticipated revenue and earnings levels could result in slower than anticipated growth and result in intangible asset or goodwill impairment charges. Ambac Financial Group, ~~Inc Inc21 17 2024 2023~~ Form 10-K ~~Ambac~~ **The current market share of our Insurance Distribution businesses may decrease because of increased competition from insurance**

companies, technology companies and the financial services industry, as well as the shift away from traditional insurance markets. The insurance distribution business is highly competitive and we actively compete with numerous firms for customers and insurance companies, many of which have relationships with insurance companies or have a significant presence in niche insurance markets that may give them an advantage. Other competitive concerns may include pricing, the entrance of technology companies into the insurance distribution business and the direct-to-consumer insurance carriers that do not utilize third party agents and brokers as production sources. Additionally, the insurance industry may experience consolidation, and therefore we may experience increased competition from insurance companies and the financial services industry, as a growing number of larger financial institutions increasingly, and aggressively, offer a wider variety of financial services, including insurance distribution services. While we collaborate and compete in these segments on a fee-for-service basis, we cannot be certain that such alternative markets will provide the same level of insurance coverage or profitability as traditional insurance markets. Technological changes to the way insurance is distributed, underwritten, and administered also present competitive risks. For example, our competitive position could be impacted if we are unable to realize expected synergies from acquisitions. Ambac's assessment cost-effectively deploy technology, such as machine learning and artificial intelligence, which collects and analyzes large sets of acquisitions often includes data to make underwriting or other decisions, or if our competitors collect and use data which we do not have the ability to access or use. In addition, usage-based methods of determining premiums (e.g., telematics) can impact product pricing and design and are becoming an increasingly important competitive factor estimate of the value of revenue, expense and operating synergies that may be created from the acquisition. The landscape of law and If due to market, economic, technological, cultural, regulatory regulation or governing these areas presents additional risk to other-- the extent reasons Ambac is not able to fully realize expected synergies or its valuation of such synergies otherwise proves incorrect, we are unable may not realize the full expected value of an acquisition, which in turn may lead to timely adapt to ensure compliance lower than expected profits, material adverse results from operations and / or a weakened financial condition. Changes in law or in the functioning of the healthcare market could significantly impair Xchange's our Accident & Health insurance business and therefore negatively impact Ambac's financial condition and results of operations. Adoption of a single payer healthcare system or a public health insurance option would likely adversely impact the entire healthcare industry. While Xchange our Accident & Health insurance business has historically demonstrated an ability to adjust its products to major changes in the healthcare industry, such business given its focus on Accident and Health products, Xchange would likely be adversely impacted by such a material change in the U.S. healthcare system particularly if private health insurance is eliminated, materially limited, or is rendered noncompetitive. Material adverse developments to Xchange's our Accident & Health insurance business would have a negative impact on Ambac's financial condition and results of operations which could be material. Our Insurance Distribution businesses and their results of operations and financial condition may be adversely affected by conditions that result in reduced insurance-- insurer capacity. Our Insurance Distribution business results of operations depend on the continued capacity of insurance carriers (including Lloyd's of London), reinsurers and other capital providers to assume underwrite risk and provide coverage, which depends in turn on those insurance companies' ability to procure reinsurance. Capacity among insurance carriers, and reinsurers and other capital providers may diminish because of our performance or due to factors outside our control. For example, capacity could be reduced by insurance companies failing or withdrawing from writing certain coverages that our Insurance Distribution businesses offer to their customers. To the extent that reinsurance becomes less widely available or significantly more expensive, we may not be able to procure the amount or types of coverage that our customers desire and the coverage we are able to procure for our customers may be more expensive or limited. Variations in commission income that results from the effects of insurance loss activity on portfolios may result in significant variations in revenues. Profit-sharing contingent commissions are paid by insurance companies based upon the profitability of the business placed with such companies. In the past these commissions have accounted for a significant amount of total commissions and fees. Due to, among other things, the inherent uncertainty of loss and changes in underwriting criteria by insurance companies, there will be a level of uncertainty related to the payment of profit-sharing contingent commissions. System security risks, data protection breaches and cyber-attacks could adversely affect our business and results of operations. We and our vendors and contractual counterparties rely on our information technology systems for many enterprise-critical functions and a prolonged failure or interruption of these systems for any reason could cause significant disruption to our operations and have a material adverse effect on our business, financial condition and operating results. Our information technology and application systems, as well as those of our vendors and contractual counterparties, may be vulnerable to threats from computer viruses, natural disasters, unauthorized access, cyber-attack and other similar disruptions. Computer hackers may be able to penetrate our network's system security, or the network's security system of a vendor or contractual counterparty, and misappropriate or compromise confidential information, create system disruptions or cause shutdowns. The ability of hackers to infiltrate and compromise our and our vendors' and contractual counterparties' information Ambac Financial Group, Inc 2023 Form 10-K systems or the contents thereof may be enhanced by generative artificial intelligence, which may be more difficult to detect and defend. In addition to our own confidential information, we and our vendors and contractual counterparties sometimes

receive and are required to protect confidential information obtained from third parties (including us in the case of a vendor or contractual counterparty) and personally identifiable information of individuals. To the extent any disruption or security breach results in a loss or damage to our data (or the data of a vendor or contractual counterparty on which we rely), **or inappropriate disclosure of our confidential information or that of others, or personally identifiable information of individuals, it could cause significant financial losses that are either not, or not fully, insured against, cause damage to our reputation, affect our relationships with third parties, lead to claims against us, result in regulatory action, or otherwise have a material adverse effect on our business or results of operations.** In addition, we may be required to incur significant costs to mitigate the damage caused by any security breach, or to protect against future damage. Moreover, although we have incident response, disaster recovery and business continuity plans in place, we may not be able to adequately execute these plans in a timely fashion in the event of a disruption to our information technology and application systems. Additionally, we are an acquisitive organization and the process of integrating the information systems of the businesses we acquire is complex and exposes us to additional risk as we might not adequately identify weaknesses in the targets' information systems, which could expose us to unexpected liabilities or make our own systems more vulnerable to attack. We may be adversely affected by failures in services or products provided by third parties. We outsource and may further outsource certain technology and business process functions, and rely upon third-party vendors and contractual counterparties for other essential services and information, such as the provision of data used in setting loss reserves. If we do not effectively develop, implement and monitor our vendor and contractual counterparty relationships, if third party providers do not perform as anticipated, if we experience technological or other problems, or if vendor or other contractual relationships relevant to our business process functions are terminated, we may not realize expected productivity improvements or cost efficiencies and may experience operational difficulties, increased costs and a loss of business.

ability to attract and retain qualified executives, senior managers and other employees or the loss of any of these personnel could negatively impact our business. Our ability to execute on our business strategies depends on the retention and recruitment of qualified executives and other professionals. We rely substantially upon the services of our current executive and senior management teams. In addition to these officers, we rely on key staff with insurance, underwriting, business development, credit, risk management, structured finance, investment, accounting, finance, legal, technology and other technical and specialized skills. The market for qualified executives, senior managers and other employees has become very competitive. As a result of **competition for talent** the run-off status of AAC and the early-stage status of AFG's other businesses, we may experience higher employee turnover and finding qualified replacements may be more difficult. The loss of the services of members of our executive and / or senior management teams **or, our inability to hire and retain other talented personnel and / or the absence of effective management succession plans** could delay or prevent us from succeeding in executing our strategies, which could negatively impact our business. Our business could be negatively affected by actions of stakeholders whose interests may not be aligned with the broader interests of our stockholders. Ambac could be negatively affected as a result of actions by stakeholders whose interests may not be aligned with the broader interests of our stockholders, and responding to any such actions could be costly and time-consuming, disrupt operations and divert the attention of management and employees. Such activities could interfere with our ability to execute on our strategic plans. **We are exposed to foreign exchange risk, which may adversely affect our financial condition and results of operation. A significant portion of our Insurance Distribution business is operated out of the U. K where our functional currency is the British pound (" GBP "). However, the majority of our revenues are generated in U. S. dollars (" USD "). As a result, movements in the rate of exchange between GBP and USD may materially distort our financial results and cause losses that are not attributable to the underlying business. We frequently hedge this foreign exchange risk through forward contracts; however, these hedges may not completely negate the adverse impact of foreign exchange movements.** Risks Related to Capital, Liquidity and Credit Markets AAC Markets AFG has and Cirrata have substantial indebtedness, which could adversely affect our financial condition, operational ability. **In addition, the Company from time to time receives various** anticipate and keep pace with rapid changes in government laws and regulations - **regulatory inquiries and requests or for information,** if government laws and its regulations impair our business or increase our costs. Government laws and regulations applicable to our businesses develop and change rapidly in response to consumer demands and public policies. State legislatures and insurance departments place increasing burdens on insurance carriers - **carrier subsidiaries are subject** and producers with respect to **examination by** matters such as cybersecurity, data privacy, management of technology, corporate governance, environmental and social issues, and enterprise risk management. Such laws and regulations - **regulatory** require substantial resources **authorities. It is not possible** to ensure that **predict the extent to which additional regulatory inquiries or requests for information will be made, nor the outcome of inquiries, requests for information or examination, which exposes** the Company has appropriate and effective compliance programs in place. If we are unable to **potential** keep pace with changes in applicable law and regulations, or if we otherwise fail in our compliance efforts, the Company may be subject to fines, sanctions, governmental orders or modifications to business practices that individually or collectively impair our business or increase our costs, possibly materially. Actions of the PRA and FCA could reduce the value of Ambac UK realizable by AAC, which would adversely affect our securityholders. **Ambac' The LFG's** international business is operated by Ambac UK, which is regulated by the Prudential Regulation Authority (" PRA ") for prudential purposes and the Financial Conduct Authority (" FCA ") for conduct purposes. The terms of Ambac UK' s regulatory authority are now restricted and Ambac UK is in run- off. Among other things, Ambac UK may not write any new business, and, with respect to any entity within the Ambac group of affiliates, commute, vary or terminate any existing financial guaranty policy, transfer certain assets, or pay dividends, without the prior approval of the PRA. The PRA and FCA act generally in the interests of Ambac UK policyholders and will not take into account the interests of AAC or the securityholders of Ambac when considering whether to provide any such approval. Accordingly, determinations made by the PRA and FCA, **including with regards to their capital adequacy,** in their capacity as Ambac UK' s regulators, could potentially result in adverse consequences

for our securityholders and also reduce the value realizable by AAC for Ambac UK. **Regulatory uncertainty in relation to Ambac UK's capital position could adversely affect the value of Ambac UK and affect our securityholders. Ambac UK is required to meet certain minimum capital requirements under applicable regulatory capital rules (" Solvency II").**

Ambac UK exceeded ~~its~~ **the** required capital thresholds as of December 31, ~~2024~~ **2023**. **However, there remains a risk that market movements impacting its investments or adverse credit developments impacting loss reserving requirements within its insured portfolio could result in the capital position becoming deficient once again** flexibility and our ability to obtain financing in the future. AAC is highly leveraged. AAC's ability to make payments on and / or refinance its surplus notes and to fund its operations will depend on its ability to generate substantial operating cash flow and on the performance of the LFG insured portfolio. AAC's cash flow generation will depend on receipt of premiums, investment returns, and dividends and capital distributions from Ambac UK, offset by policyholder claims, commutation payments, reinsurance premiums, ~~costs~~ and potential losses from litigation, operating and loss adjustment expenses, and interest expense, all of which may be subject to prevailing economic conditions and to financial, business and other factors, many of which are beyond our control and many of which may be event- driven. There is substantial risk that AAC may not have the financial resources necessary to pay its surplus notes in full due to risks associated with its cash flow, insured portfolio, and other liabilities, as discussed elsewhere in these Risk Factors. If AAC cannot pay its obligations from operating cash flow, it will have to take actions such as selling assets, restructuring or refinancing its surplus notes or seeking additional capital. Any of these remedies may not, if necessary, be effected on ~~Ambac Financial Group, Inc~~ **2023 Form 10-K** commercially reasonable terms, or at all. The value of assets to be sold will depend on market and economic conditions; the availability of buyers; the requirements and conditions of local law, including regulatory restrictions; and other factors that may result in AAC or a party enforcing rights against AAC to be unable to receive proceeds sufficient to discharge AAC's obligations. Furthermore, the ability of creditors or claimants to realize upon any assets, may also be subject to bankruptcy and insolvency law limitations or similar limitations applicable in insurance company rehabilitation or liquidation proceedings. Because of these and other factors beyond our control, AAC may be unable to pay or discharge the principal or interest on its surplus notes, which would impair AAC's value and the value of AFG. Surplus note principal and interest payments cannot be made without the approval of the OCI, which OCI will grant or withhold in its sole discretion. OCI's determinations about whether and when to authorize surplus note payments could materially impact the Company's financial position. Ambac can provide no assurance as to when surplus note principal and interest payments will be made. If OCI does not approve payments on or the acquisition of surplus notes over time, the ongoing accretion of interest on the notes may impair AAC's ability to extinguish the notes in full. Surplus notes are subordinated in right of payment to policyholder and other claims. AAC's substantial indebtedness could have other significant consequences for our financial condition and operational flexibility. For example, it could: • increase our vulnerability to general adverse economic, competitive and industry conditions; • limit our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes on satisfactory terms or at all; • require AAC to dedicate a substantial portion of its cash flow from operations to the payment of surplus notes, thereby reducing the funds available for operations and to fund the execution of key strategies, including the return of capital to AFG; • ~~limit~~ **or restrict** ~~AFG from making strategic acquisitions or cause us to make non- strategic divestitures;~~ • ~~limit~~ AAC's ability, or increase the costs, to refinance surplus notes or repay surplus notes due to ongoing interest accretion; and • limit our ability to attract and retain key employees. Despite current indebtedness levels, ~~we~~ **AAC** may incur additional debt. While restrictive covenants in certain of our contracts may limit the amount of additional indebtedness AAC may incur, we may obtain waivers of those restrictions and incur additional indebtedness in the future. ~~In addition, if Ambac incurred indebtedness, its ability to make scheduled payments on, or refinance, any such indebtedness may depend on the ability of our subsidiaries to make distributions or pay dividends, which in turn will depend on their future operating performance and contractual, legal and regulatory restrictions on the payment of distributions or dividends to which they may be subject. There can be no assurance that any such dividends or distributions would be made. This could further exacerbate the risks associated with AAC's substantial leverage. Our inability to realize the expected recoveries included in our financial statements could adversely impact our liquidity, financial condition and results of operations and the value of our securities. We expect to recover material amounts of claims payments through cash flows in the securitization structures of transactions that AAC insures. Realization of such expected recoveries is subject to various risks and uncertainties, including the rights and defenses of other parties with interests that conflict with AAC's interests, the performance of the collateral and assets backing the obligations that AAC insures, the performance of servicers involved in securitizations in which AAC participates as insurer, as well as numerous regulatory, legal and compliance considerations and risks. Adverse developments with respect to any of the factors described above may cause our recoveries to fall below expectations, which could have a material adverse effect on our financial condition, including our capital and liquidity, and may result in adverse consequences such as impairing the ability of AAC to honor its financial obligations, particularly its surplus notes and preferred stock obligations; the initiation of rehabilitation proceedings against AAC; eliminating or reducing the possibility of AAC delivering value to AFG, through dividends or otherwise; and a significant drop in the value of securities issued or insured by AFG or AAC. Revenues and cash flow will be adversely impacted by a decline in realization of installment premiums. A significant percentage of our LFG premium revenue is attributable to installment premiums. The amount of installment premiums we collect ~~collected~~ is declining along with the insured portfolio. The amount of installment premiums we actually realize ~~realized~~ could be further reduced due to factors such as early termination of insurance contracts, new reinsurance transactions, accelerated prepayments of underlying obligations or insufficiency of cash flows (by the premium paying entity). The reduction in installment premiums will result in lower **LFG** revenues and cash flow in the future. ~~We may have future capital needs~~ **Changes in prevailing interest rate levels** and **market** may not be able to obtain third- party financing or raise additional third- party capital on acceptable terms, or at all. An inability to obtain third- party debt financing or raise additional third- party capital, when required by us or when business conditions~~

warrant, could have a material adverse effect on our business, financial condition and results of operations, and could adversely impact LFG's business results and prospects. Increases in prevailing interest rate levels can adversely affect the value of our investment portfolio and, therefore, our financial strength. In the event that investments must be sold in order to pay claims, to pay debt obligations, to meet collateral posting requirements ~~our~~ or ~~ability to achieve~~ meet other liquidity needs, such investments would likely be sold at discounted prices. Additionally, increasing interest rates would have an adverse impact on the legacy financial guarantee insured portfolio. For example, increasing interest rates could result in higher claim payments in respect of defaulted obligations that bear floating rates of interest. Higher interest rates can also lead to increased credit stress on consumer asset-backed transactions (as the securitized assets supporting a portion of these exposures are floating rate consumer obligations), slower prepayment speeds and resulting "extension risk" relative to such consumer asset-backed transactions in the LFG insured and investment portfolios, and decreased refinancing activity. Decreasing interest rates could result in early terminations of financial guarantee insurance policies in respect of which AAC and Ambac UK are paid on an installment basis and do not receive a termination premium, thus reducing premium earned for these transactions. Decreases in prevailing interest rates may also limit growth of, ~~our~~ or ~~strategic objectives~~ reduce, investment income and may increase collateral requirements related to AAC's residual legacy customer interest rate swap portfolio. Our investment portfolios may also be adversely affected by credit rating downgrades, ABS and RMBS prepayment speeds, foreign exchange movements, spread volatility, and credit losses. ~~Ambac financial~~ **Financial condition-Group, Inc. 24 2024** the risks described elsewhere in Part I, Item 1A in this Annual Report on Form 10-K for the fiscal year ended December 31, 2023, as well as other factors, may constrain our financing abilities. Our ability to secure third-party financing will depend upon our future operating performance, regulatory conditions, the availability of credit generally, economic conditions and financial, business and other factors, many of which are beyond our control. The market conditions and the macroeconomic conditions that affect Ambac Financial Group, Inc. 24 2023 Form 10-K