Risk Factors Comparison 2024-02-09 to 2023-02-10 Form: 10-K

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

Certain risk factors can significantly impact our business, liquidity, capital resources, results of operations, financial condition, and debt ratings. These risk factors might affect, alter, or change actions **in** ~~we might take to execute~~ **executing** our long- term capital strategy. Examples include, without limitation, contributing capital to any or all of ~~the~~ **our ten property and casualty insurance subsidiaries ("** Insurance Subsidiaries **")**, issuing additional debt and / or equity securities, repurchasing our existing debt and / or equity securities, or increasing or decreasing common stockholders' dividends. We operate in a continually changing business environment, and new risk factors emerge from time to time. Consequently, we can neither predict such new risk factors nor assess their potential future impact on our business, if any. Risks Related to our Insurance Operations We are subject to losses from catastrophic events. Losses from natural and human- made catastrophes can negatively impact our financial results. Examples include ~~, without limitation,~~ hurricanes, tornadoes, windstorms, earthquakes, hail, severe convective storms, severe winter weather, derechos, floods, and fires, some related to climate change, and criminal and terrorist acts, including cyber- attacks, civil unrest, and explosions. The frequency and severity of these catastrophes are inherently unpredictable, and the frequency and severity of catastrophe losses have increased globally in recent years **. In many cases, the increase in catastrophe losses relate to small- to- medium- sized events that primary insurers retain and do not cede to reinsurers**. Although we use sophisticated catastrophe modeling techniques to manage our catastrophe exposure, catastrophe models provide estimates **that** ~~, and actual exposure and loss experience~~ may materially differ **from actual exposure and loss experience**. For example, catastrophe models did not fully estimate the potential for some recent catastrophe loss activity (such as ~~Hurricane Ida- related severe flooding in the Mid- Atlantic and Northeast in 2021 and~~ Winter Storm Elliott freeze losses in December 2022) and the concurrent recent economic inflation on construction costs ~~. Unmodeled or under- modeled catastrophe risks could result in understated catastrophe exposure, and our actual catastrophe losses could be higher~~. Our insurance operations primarily write risks in the Eastern, Midwestern, and Southwestern regions of the U. S. Our most significant natural and / or human- made catastrophe exposures are (i) hurricanes impacting the Eastern U. S., (ii) severe convective storms, including hailstorms and tornadoes, (iii) winter storms, (iv) earthquakes, and (v) terrorism events. Single storms could adversely impact our financial results, but it is also possible that we could experience more than one severe catastrophic event in any given calendar year. We track our severe weather and catastrophe losses using definitions and information we obtain from **Insurance Services Office, Inc.' s ("** ISO ~~' s~~ **")** Property Claim Services unit, an internationally recognized authority on insured property losses from catastrophes in the U. S., Puerto Rico, and the U. S. Virgin Islands. Certain factors can impact our estimates of ultimate costs for natural and / or human- made catastrophes, including: • Inability to access portions of the affected areas after a catastrophic event; • Scarcity of necessary labor and materials that delay repairs and increase our loss costs; • Regulatory uncertainties, including new or expanded interpretations of coverage; • Residual market assessment- related increases in our catastrophe losses; • Potential fraud and inflated repair costs, partly driven by (a) demand surge post- event ~~,~~ and (b) opportunistic service providers; • Higher loss ~~adjustment~~ expenses due to shortages of claims adjusters available to appraise damage; • Late claims reporting; • Escalation of business interruption costs due to infrastructure disruption; and • Whether the U. S. Secretary of the Treasury certifies an event as a terrorist act under TRIPRA. Natural catastrophes Temperature changes can impact weather patterns and the frequency and / or severity of catastrophes, including hurricanes, severe convective storms, wildfires, and flooding — all of which could cause our catastrophe losses to increase relative to historical levels. **A significant component of** ~~The United Nation' s Intergovernmental Panel on Climate Change (" IPCC") is an international body responsible for assessing~~ climate change **risk** ~~science. In 2021, the IPCC estimated in its~~ - **is** ~~" Sixth Assessment Report: Physical Science Basis "~~ that **the frequency and severity** ~~human activities (i) have caused approximately 1. 1 ° C~~ of ~~global warming~~ **extreme weather events may evolve differently relative** to **historical** ~~date above pre- industrial~~ levels **– leading** ~~and (ii) this could rise~~ to **greater model uncertainty** ~~an increase between 1. 2 ° C and 3. 0 ° C above pre- industrial levels between 2041 and 2060~~. Climate change models ~~also~~ project significant differences in global regional warming above pre- industrial levels, depending on future levels of climate mitigation and geographic location. These global regional differences, whether attributable to nature or human activities, include increases in (i) mean temperature in most land and ocean regions, (ii) hot extremes in most inhabited regions, (iii) heavy precipitation in several regions, and (iv) the probability of drought and precipitation deficits in some regions. Human- made catastrophes ~~Cybersecurity~~ **Cyber Attacks and Incidents** The risk of a wide- scale criminal or terrorist cyber- attack has become more significant and has drawn increased attention from IT and national security experts, U. S. policymakers, the U. S. military, and the insurance industry. There is general recognition that a wide- scale cyber- attack that simultaneously impacts multiple victims is more likely, and insurance industry systemic risk has increased. We have identified three primary sources of potential insured exposure to cyber losses: (i) cyber- specific policies designed to cover both first- party and third- party losses; (ii) affirmative cyber coverage grants included in other types of policies, such as commercial property or businessowners policies; and (iii)" silent cyber" exposures, otherwise known as non- affirmative cyber exposures, which describes cyber risk that is neither expressly covered nor excluded in insurance policies. This exposure may exist if courts, regardless of intent, interpret policy forms without specific related coverage exclusions to provide coverage for a cyber- related incident. We provide cyber- specific policies to our commercial lines and personal lines customers through 100 % reinsured solutions with highly- rated specialty cyber markets. These solutions allow us to meet our customers' needs for cyber insurance while mitigating our underwriting risk ~~,~~ as we develop our expertise in the cyber insurance market. Beyond our cyber- specific policies, our other insurance policies provide some first- and third- party cyber coverages: •

We offer limited first- party affirmative cyber coverage in our commercial property and businessowners' policy forms. We limited our" silent cyber" exposure through an affirmative coverage grant subject to a sub- limit. • Our base property forms typically include a coverage grant of $ 2, 000 or $ 10, 000. Most of our property policies also contain an affirmative endorsement providing" virus and harmful code" coverage subject to a sub- limit. Over 90 % of our policies with virus / harmful code coverage on commercial property, businessowners', commercial output policy, or inland marine forms have sub- limits of $ 25, 000 or lower. For policies effective October 1, 2022 **and later** , we implemented cyber incident exclusions that exclude malicious cyber except for the sub- limited coverage provided in the base ISO coverage forms and our property and businessowners' property “ virus and harmful code ” extension endorsements. These exclusions clarify coverage and have no premium impact. • Most of our general liability and businessowners' policies ~~specifically~~ exclude cyber- related liability losses, except for" bodily injury." Our specific cyber- exclusion and liability forms' lack of affirmative sub- limited cyber coverage, effectively limit most" silent cyber" exposure ~~. However, any related potential exposures are subject to our casualty reinsurance program, which has no cyber- related loss exclusion~~ . • By statute, workers compensation policies do not have cyber exclusions, and a cyber- attack- related workplace injury could trigger coverage. Terrorism We are required to participate in TRIPRA, now extended to December 31, 2027, for our Standard Commercial Lines and E & S Lines business. TRIPRA rescinded all previously approved coverage exclusions for terrorism and requires private insurers and the U. S. government to share the risk of loss on future acts of terrorism certified by the U. S. Secretary of the Treasury. Under TRIPRA, each participating insurer **must pay** ~~is responsible for paying~~ a significant deductible of specified losses before federal assistance is available. Our $ ~~480~~ **543** million deductible is based on a percentage of our prior year’ s applicable Standard Commercial Lines and E & S Lines premiums. In ~~2023~~ **2024** , the federal government will pay 80 % of losses above the deductible, with the insurer retaining 20 %. Although TRIPRA will mitigate some of our loss exposure to a large- scale terrorist attack, our deductible could have a material adverse effect on our results of operations, liquidity, financial condition, financial strength, and debt ratings. If the U. S. Secretary of the Treasury does not certify specific terrorist events ~~(as occurred with the 2013 Boston Marathon bombing and the 2015 San Bernardino shootings)~~ , we could be required to pay terrorism- related covered losses without TRIPRA' s risk- sharing benefits. We also could be required to pay terrorism- related losses for customers who declined terrorism coverage. Our primary workers compensation policies are required to cover terrorism risk, so TRIPRA applies to those policies. Insureds with non- workers compensation commercial policies can accept or decline our terrorism coverage or negotiate with us for other terms. In ~~2022~~ **2023** , 85 % of our Standard Commercial Lines non- workers compensation policyholders purchased terrorism coverage that included nuclear, biological, chemical, and radioactive (" NBCR") events. TRIPRA also applies to cyber liability insurance policies reported under a Terrorism Risk Insurance Program- eligible line of insurance. Many states mandate that commercial property policies cover fire following an act of terrorism- regardless of whether the insured purchased terrorism coverage. We also sometimes elect to provide terrorism coverage for lines of business not included in TRIPRA, such as Commercial Automobile. TRIPRA has never covered personal lines of business. Our Standard Personal Lines homeowner policies exclude nuclear losses but not biological, chemical, or conventional terrorism losses. Our current reinsurance programs cover some losses from conventional foreign and domestic terrorism acts but not NBCR events. An increase in natural or man- made catastrophe losses, including a systemic cyber- attack that produces an aggregation of property and / or casualty cyber losses, will reduce our net income and stockholders’ equity and could have a material adverse effect on our liquidity, financial strength, and debt ratings. The closer a catastrophe occurs to the end of a reporting period, the more likely we have limited information to estimate loss and loss expense reserves, increasing the uncertainty of our estimates. More ~~detailed~~ **comprehensive** claims information available after a reporting period may result in reserve changes in subsequent periods. Our loss and loss expense reserves may not adequately cover actual losses and expenses. We maintain reserves for our estimated liability for loss and loss expense associated with reported and unreported insurance claims. Estimating loss and loss expense reserves is inherently uncertain, and there is no method for precisely estimating the ultimate liability for the settlement of claims. We base our loss and loss expense reserve estimates on our internal ~~comprehensive~~ **in- depth** reserve review, which uses our ~~own~~ loss experience, claims payment and reporting patterns, and our view of underlying claims frequency and severity trends. We supplement the estimates with other subjective considerations, including projected impacts from economic, political, social, and legal developments or trends, such as inflation, continually evolving trends driven by the post- COVID- 19 pandemic environment, judicial trends and tort decisions, and various state legislative initiatives. We cannot predict the timing or impact of these developments or trends with certainty, and we cannot be sure the reserves we establish are adequate or will be so in the future. We review our reserve position quarterly and adjust the reserve position accordingly. An increase in reserves (i) reduces net income and stockholders' equity, and (ii) could have a material adverse effect on our liquidity, financial strength, and debt ratings. As we underwrite new business and renew existing business, we estimate future loss cost trends in pricing our products to generate an adequate risk- adjusted return. If our future loss cost trend estimates prove to be understated, our pricing of future new and renewal business could be inadequate to cover actual loss costs, and our future loss and loss expense reserves could be understated. ~~Two~~ **Three** examples of how loss and loss expense reserves might be affected by economic, political, social, or legal developments or trends are: • If **economic** inflation, including medical ~~and social~~ inflation, is higher than our assumptions, our loss and loss expense reserves for our longer tail lines of business could be insufficient. For example, 2022 inflation rates reflected in the overall consumer price index (" CPI"), the Core CPI, and the Producer Price Index, were higher than 2021. ~~We~~ **While inflation moderated in 2023** , ~~however, do not know how~~ **it remains elevated relative to the Federal Reserve’ s** long ~~elevated inflation will persist~~ **- term 2 % target** . ~~Our~~ **The** workers compensation line of business is particularly susceptible to inflation because of its extended payment pattern and exposure to medical care services and commodities. While **medical** ~~relatively less affected by recent rising~~ inflation ~~rates~~ **has been benign for several years** , these medical care costs could have a more material impact on our overall loss and loss expense reserves if they were to rise significantly or persist **at a higher level** for an extended period. Our short- tail property lines of business are also susceptible to inflation because of their exposure to

increased labor and material costs **. • Social inflation refers to the phenomenon where societal factors, such as attitudes, perceptions, and cultural changes, contribute to increased insurance claims costs and litigation. It often leads to higher payouts in legal settlements and impacts insurance premiums for businesses and individuals. This inflation is driven by various factors, including changing jury attitudes, increased litigation funding, and larger awards in court cases. Social inflation can affect all lines of business, but the automobile liability, general liability, and corresponding umbrella lines of business that involve third- party claimants tend to be more susceptible to social inflationary impacts. Our reserve for loss and loss expense could be insufficient if the social inflation impacts exceed our assumptions** . • Various states have expanded or could expand the statute of limitations for civil actions alleging sexual abuse. By retroactively permitting previously time- barred claims, these" reviver" laws may result in insurance claims that could significantly increase loss costs and require ~~a~~ re- ~~evaluation~~ - **evaluating** ~~of~~ previously- established reserves or ~~the creation~~ - **creating** ~~of~~ new reserves. Since reviver statutes have been enacted, we have received some notices of claims or potential claims for acts alleged to have occurred, some dating as far back as the 1950s. Without prior experience, we cannot estimate how many" reviver" claims notices we may receive. Most notices (i) are blanket notices sent by attorneys representing claimants unsure of the alleged assailant or supervising entity' s insurer or policy (if any) and (ii) may not implicate any of our or a predecessor' s insurance policies. For those we determine implicate one of our or a predecessor' s policy, we (i) have investigated or are investigating facts, (ii) have evaluated policy terms, (iii) believe we have appropriate coverage defenses to most of these claims and / or sufficient reinsurance protections, and (iv) have considered these factors in establishing our reserves, which we believe provide a reasonable estimate of the aggregate ultimate net exposure for these claims. Our coverage positions may be challenged through litigation or otherwise, so we face litigation risks. These are discussed further below in the Risk Factor entitled," We are engaged in ordinary routine legal proceedings incidental to our insurance operations that ~~, because litigation outcomes~~ are inherently unpredictable ~~,~~ **and** could impact our reputation and / or have a material adverse effect on our consolidated results of operations or cash flows in particular quarterly or annual periods." For further discussion on our loss and loss expense reserves, please see the" Critical Accounting Policies and Estimates" section of Item 7." Management’ s Discussion and Analysis of Financial Condition and Results of Operations." and Note 2." Summary of Significant Accounting Policies" in Item 8." Financial Statements and Supplementary Data." of this Form 10- K. Our ability to reduce our risk exposure depends on the availability and cost of reinsurance. We transfer a significant portion of our underwriting risk to third parties through reinsurance contracts. These contracts provide reimbursement of losses exceeding specified amounts or percentages of premiums. Typically, our reinsurance coverages align with the coverages offered under our primary insurance policies. The availability, quality, amount, and cost of reinsurance depend on market conditions, including **traditional privately placed reinsurance,** retrocessional reinsurance **, and catastrophe bond** market capacity. Most of our reinsurance contracts have annual terms. Consequently, reinsurance costs may fluctuate significantly, not necessarily correlating to the loss experience of our specific book of business. State insurance regulators generally permit us to consider catastrophe reinsurance expense in our filed rates and rating plans. However, the conditions and timing of regulatory approval may not align with the actual expense of new reinsurance terms. Disproportionate increases in our reinsurance expense that we cannot include in our filed rates and rating plans will reduce our earnings. If we **cannot** ~~are unable to~~ negotiate desired reinsurance amounts or terms, we may experience ~~(i)~~ increased reinsurance expense **and** ~~, (ii)~~ increased risk retention on individual or aggregate claim losses **that could limit** ~~, and (iii) limitations on~~ our ability to write future business. Commercial property and homeowners coverages have historically accounted for most of our catastrophe- related claims. To limit our exposure to catastrophe losses, we purchase catastrophe reinsurance. Our reinsurance coverage may prove to be inadequate, particularly if: • We do not purchase sufficient amounts of reinsurance because of defects or inaccuracies in the various modeling software programs we use to analyze our Insurance Subsidiaries' risk; • A major catastrophe loss exceeds (i) the purchased reinsurance limit or (ii) the financial capacity of one or more of our reinsurers even if the loss is within the purchased limit; • The combination of multiple catastrophe events in a single year is such that our Insurance Subsidiaries' insured losses exceed the aggregate limits of the catastrophe reinsurance treaty or our Insurance Subsidiaries experience an unusually large number of catastrophe losses that fall below our per occurrence reinsurance retention; • Our reinsurance counterparties (i) are unable to access their reinsurance markets, or retrocessions, (ii) suffer significant financial losses, (iii) are sold, (iv) cease writing reinsurance business, or (v) are unable or unwilling to satisfy their contractual obligations to us; or • The catastrophe losses insured in our primary policies are excluded from coverage in our reinsurance contracts. Recent economic, geopolitical, and insured loss events have increased global reinsurance market uncertainty. ~~The~~ **Reinsurance prices have increased, and the availability of reinsurance has reduced due to the** impacts of (i) ~~higher~~ **social** inflation ~~- related reinsurance demand~~ **on liability claim outcomes, including exceptionally high jury awards** , (ii) reduced capacity due to reinsurer investment portfolio losses, (iii) weakened Euro- United States dollar currency exchange rates, (iv) **challenged reinsurer profitability in** recent **years** ~~Hurricane Ian- related reinsurer losses~~ , **and** (v) ~~poor reinsurer profitability over the past six years, and (vi)~~ investor and reinsurer concerns about the potential impacts of climate change **. While** ~~have caused an increase in~~ reinsurance ~~prices and reduced the~~ **market conditions stabilized somewhat in 2023, purchasers of reinsurance continue to face higher pricing, less reinsurance** availability ~~of reinsurance. How reinsurance supply~~ and **more market** ~~demand will adjust in the coming months and years is uncertain~~ **uncertainty than** ~~. To the~~ **they** ~~extent we are~~ **did pre-2022. We face increased underwriting risk for** ~~exposed~~ - **exposure** to **specific** primary policy losses from risks, **like** ~~such as~~ cyber and communicable ~~disease~~ **diseases** , now principally excluded from coverage under our reinsurance treaties ~~, we face increased underwriting risk~~ . **Our** ~~Some of our~~ reinsurance contracts also contain coverage **terms** ~~wording that restricts~~ **restricting** our ability to cede **certain types of** potential losses related to terrorism ~~, strikes, riots, or civil unrest~~ . Increased underwriting risk could increase our net loss and loss expense, increasing our underwriting results volatility. Decreased reinsurance capacity **would** also ~~would~~ increase our underwriting risk if we cannot fully place our ~~existing~~ **target** reinsurance treaty coverage on renewal. If our reinsurers have difficulty collecting their retrocession programs or reinstating retrocession

coverage after a large loss, our reinsurance claims may not be **timely or fully** paid ~~timely or in full~~. Even with the benefits of reinsurance, our catastrophe risk exposure could have a material adverse effect on our results of operations, liquidity, financial condition, financial strength, and debt ratings. We are exposed to credit risk. We face credit risk in several areas of our insurance operations, including from: • Our reinsurers, which are obligated to make us payments under our reinsurance agreements. Reinsurance credit risk can fluctuate over time, increasing during periods of high industry catastrophe and liability losses. Reinsurers generally manage their significant loss exposure through their own reinsurance programs, or retrocessions, **and** ~~about which~~ we do not always have the full details **about them** . If our reinsurers experience difficulty collecting on their retrocession programs or reinstating retrocession coverage after a large loss, we may not receive timely or full payment of our reinsurance claims. This means that we have direct and indirect counterparty credit risk to our reinsurers and the reinsurance industry, which is a global but concentrated market. • Certain life insurance companies, if they fail to fulfill their contractual obligations to our policyholders or claimants under annuities we purchased as part of structured claims settlements. • Some of our independent distribution partners, who collect premiums from policyholders for us. • Some policyholders, who are directly obligated to us for premium and / or deductible payments, the timing of which may be impacted by mandated payment moratoriums. Our exposure to credit risk could have a material adverse effect on our results of operations, liquidity, financial condition, financial strength, and debt ratings. We depend on distribution partners. We market and sell our insurance products through independent, non- employee distribution partners. ~~Insurance law and regulation makes us responsible for our distribution partners' business practices and customer interactions.~~ Independent distribution partners have – and we expect will continue to have – a significant role in overall insurance industry premium production. While our customers find advantages in using independent distribution partners, our reliance on independent distribution partners presents risks and challenges, including: • Competition in our distribution channel, as we must market our products and services to ~~our~~ independent distribution partners who have access to products from multiple carriers and markets. • Brand recognition challenges because we closely coordinate marketing with our distribution partners and some customers ~~cannot~~ **do not** differentiate their insurance agent from their insurer. • Our market share growth is tied to our distribution partners' market share. Consequently, growth in our Standard Personal Lines could be more limited than in our Standard Commercial Lines. Competitors have focused on lower- cost" direct- to- customer" distribution models ~~that emphasize~~ **emphasizing** digital ease and efficiencies to address the discrepancy in agency control of standard personal lines business. Continued advancements in" direct- to- customer" distribution models may impact our independent distribution partners' overall market share, make it more difficult for us to grow, or require us to establish relationships with more distribution partners. • Aggregation and consolidation of our independent distribution partners and their market share **.** ~~, as some~~ **Some** publicly ~~–~~traded and private equity- backed independent distribution partners have deployed consolidation strategies to acquire other independent distribution partners and increase their market share (" Aggregators") over the last decade. If more of our independent distribution partners become Aggregators or ~~are acquired by~~ Aggregators **acquire them** , Aggregator demands and influence on our business could increase. For example, Aggregators could develop and implement strategies to consolidate their business with fewer insurers and demand higher base and supplemental commissions. Aggregators accounted for approximately ~~39~~ **43** % of our DPW at December 31, ~~2022~~ **2023** , up from 33 % three years ago. No one distribution partner is responsible for 10 % or more of our combined insurance operations' premium. Our financial condition and results of operations are impacted by our independent distribution partners' success in marketing and selling our products and services. National and global economic conditions could adversely and materially affect our business, results of operations, financial condition, and growth. Unfavorable economic developments, such as increased inflation levels, could adversely affect our earnings if our policyholders need less insurance coverage, cancel existing insurance policies, modify coverage, or choose not to renew with us. Inflation could significantly impact our claims severity across multiple lines of business and could result in adverse reserve development. ~~Heightened economic inflation levels could also cause higher interest rates, likely increasing unrealized losses within our portfolio of fixed income securities and lowering total returns from our other invested assets.~~ An economic downturn **could** also ~~could~~ lead to increased credit and premium receivable risk, failure of reinsurance counterparties and other financial institutions, limitations on our ability to issue new debt, reduced liquidity, and declines in our investments' fair value and financial strength ratings. These potential events and other economic factors could adversely and materially affect our business, results of operations, financial condition, and growth. During ~~2022~~ **2023** , ~~27~~ **26** % of DPW in our Standard Commercial Lines business was based on payroll or sales of our underlying policyholders. An economic downturn in which our policyholders have declining revenue or employee count could adversely affect our total written premium, including audit and endorsement premium. We write business domestically in the United States, and our insurance operations do not have direct exposure to businesses or individuals in Russia ~~or~~ **,** Ukraine **, Israel, or the West Bank** . We do not have material exposure to investments subject to embargoes or Russian reinsurance counterparties. However, ~~the~~ ongoing ~~Russian war~~ **wars** ~~against Ukraine is~~ **and conflicts are** impacting global economic, banking, commodity, and financial markets ~~,~~ **by** exacerbating ongoing economic challenges, including inflation and supply chain disruption, which influence insurance loss costs, premiums, and investment valuation. **The Israeli- Hamas war is creating global political tension that could result in some countries taking political or economic actions, such as Iran' s support for the Houthi rebels in Yemen, that could impact the U. S. and global economies.** A downgrade or a potential downgrade in our financial strength or credit ratings could result in a loss of business and ~~could~~ have a material adverse effect on our financial condition and results of operations. A significant financial strength rating downgrade, particularly from AM Best **Company (" AM Best")** , would affect our ability to write new or renewal business. Most policyholders are required by various third- party agreements, primarily with lenders, to maintain insurance policies from a carrier with a minimum **rating from** AM Best or ~~S~~ **Standard** & ~~P~~ **Poor' s Global** ~~rating~~ **Ratings** . Credit rating downgrades could also make it more expensive to access capital markets. We cannot predict ~~the~~ rating actions ~~NRSROs could take~~ **issued by nationally recognized statistical rating organizations** that might adversely affect our business or our potential responses. Any significant downgrade in our financial strength and credit ratings below an" A-" could have a

material adverse effect on our results of operations, liquidity, financial condition, financial strength, and debt ratings. For additional information on our current financial strength and credit ratings, refer to" Overview" in Item 1." Business." of this Form 10- K. Markets for insurance products and services are highly competitive and subject to rapid technological change, and we may be unable to compete effectively. We offer our insurance products and services in a highly competitive market characterized by **(i)** consumer and business price sensitivity, **(ii)** aggressive price competition **,** and **(iii)** improvements based on performance characteristics and large data sets ~~that~~ **. These factors** can compact underwriting margins, new products and services, evolving industry standards, and rapid adoption of technological advancements. Our ability to compete ~~successfully~~ depends heavily on our timely and consistent introduction of innovative new products and services. We face substantial competition from a wide range of property and casualty insurance companies for customers, distribution partners, and employees. Competitors include public, private, and mutual insurance companies. Many competitors are larger and may have lower relative operating costs, lower capital costs, or greater capacity to absorb or diversify more risk while maintaining their financial strength ratings. Other competitors, such as mutual or reciprocal companies, are owned by or operated cooperatively for insureds and, unlike us, do not have shareholders who evaluate ROE performance. Consequently, some competitors may be able to price their products more competitively. The Internet has emerged as a significant competitive digital marketplace for existing and new competitors. Established insurance competitors ~~, like The Progressive Corporation,~~ are beginning to explore broader digital Internet offerings **and implement artificial intelligence (" AI")** . New competitors with variations on traditional business models have emerged ~~, such as Lemonade, Root, and Next~~ . Because the Internet makes it easier and less expensive to bundle products and services, it **is** also ~~is~~ possible that non- insurance companies conducting business on the Internet could enter the insurance business or form strategic alliances with insurers ~~in the future~~ . Changes in competitors and competition, particularly on the Internet, could cause changes in the supply or demand for insurance and adversely affect our business. The increasing importance of the Internet, technology, **AI,** and digital ~~strategy~~ **strategies** in our industry also demands that we attract and retain employees in difficult- to- fill data science, advanced analytics, and **information technology ("** IT **")** roles ~~—~~ **. If we cannot attract and retain such employees,** ~~or~~ **our** ~~suffer potential negative impacts~~ **results of operations and financial condition could be materially and adversely affected** . We have less loss experience data than our larger competitors. Insurers depend on access to reliable data about their policyholders and loss experience to build complex analytics and predictive models that assess risk profitability, reserve adequacy, adverse claim development potential, recovery opportunities, fraudulent activities, and customer buying habits. Because we use and depend on the aggregated industry loss data assembled by rating bureaus under the antitrust exemptions of the McCarran- Ferguson Act, we likely would be at a competitive disadvantage to larger insurers if Congress repealed the McCarran- Ferguson Act. We expect the importance of data science and analytics to increase, becoming more complex and accurate with larger sets of relevant data. Some larger competitors have significantly more data about the performance of their underwritten risks. In comparison, we may not have sufficient volumes of loss experience data to analyze and project our future costs as accurately or granularly. We supplement our data with industry loss experience from Verisk, ~~AAIS~~ **American Association of Insurance Services** , ~~NCCI~~ **Inc., the National Council on Compensation Insurance, Inc.** , and other publicly available sources. While relevant, industry data may not correlate specifically to the performance of our underwritten risks or be as predictive as data on a larger book of our own business. We are subject to various modeling risks that could have a material adverse impact on our business results. We rely on complex financial and other statistical models, developed internally and by third parties, to predict (i) underwriting results on individual risks and our overall portfolio, (ii) claims fraud and other claims impacts, such as escalation, (iii) impacts from catastrophes, (iv) enterprise risk management capital scenarios, and (v) investment portfolio changes. We rely on these financial and other statistical models to analyze historical loss costs and pricing, claims severity and frequency trends, catastrophe losses, reinsurance attachment and exhaustion points, investment performance, portfolio risk, and our economic capital position. Flaws **or limitations** in financial and statistical models and their embedded assumptions could ~~lead to increased~~ - **increase** losses. For example, a significant component of climate change risk is that the frequency and severity of extreme weather events may evolve differently relative to historical levels – leading to greater model uncertainty ~~. The increase in the frequency of land-falling hurricanes and tropical storms in the U. S. over the past five years could partly be climate change- related~~ . In addition, increasing insurance regulatory interest in data and model use, combined with any potential restrictions on traditional rating factors or model use, could have a material adverse impact on our financial condition and operating results. Our statistical models are extremely useful in monitoring and controlling risk, but ~~they~~ are no substitute for senior management' s experience or judgment. Risks Related to Our Investments Segment Our investments are exposed to credit risk, interest rate fluctuation, and changes in value. We depend on income from our investment portfolio for a significant portion of our revenue and earnings. Our investments can be negatively affected by (i) liquidity, (ii) credit deterioration, (iii) financial results, (iv) public equity and / or debt market changes, (v) economic conditions, including heightened levels of economic inflation ~~and any ongoing post-COVID- 19 pandemic impacts~~ , (vi) political risk, (vii) sovereign risk, (viii) interest rate fluctuations, or (ix) other factors, including climate change risk and civil unrest. Our investment portfolio' s value is subject to credit risk from our held securities' issuers, guarantors, and financial guarantee insurers, and other counterparties in certain transactions. Defaults on any of our investments by any issuer, guarantor, financial guarantee insurer, or other counterparty could reduce our net investment income and increase net realized investment losses. We are subject to the risk that the issuers or guarantors of **our** fixed income securities ~~we own~~ may default on principal and interest payment obligations. Additionally, we are exposed to interest rate risk, primarily related to the market price and cash flow variability associated with changes in interest rates. Consequently, the amount of our cash and cash equivalents ~~,~~ and the value and liquidity of our marketable and non- marketable securities may fluctuate substantially. Future fluctuations in the value of our cash, cash equivalents, and marketable and non- marketable securities could result in significant losses that have a material adverse impact on our financial condition and operating results. Our investment portfolio is exposed to climate change- related transition and physical investment risks. • Transition risks arise

from society' s transition to a low- carbon economy, driven by policy and regulations, low- carbon technology advances, and shifting public sentiment and societal preferences. This transition to renewable energy sources may lead to (i) stranded assets in sectors with high carbon footprints or those closely tied to carbon- based economic activity, such as the fossil fuel and automotive industries, (ii) increased costs for infrastructure reinvestment and replacement, and litigation defense of carbon- intensive sectors, (iii) lower corporate profitability, (iv) lower property values, and (v) lower household wealth. The Paris Agreement Capital Transition Assessment defines the carbon- intensive sectors as the most exposed to transition risks: oil and gas, coal, power, automotive, cement, aviation, and steel. As of December 31, **2023 and December 31,** 2022, carbon **-** intensive sectors within our fixed income securities portfolio represented **about** ~~less than~~ 4 % of our total invested assets ~~, down from 5 % as of December 31, 2021~~ . • Physical investment risks include the risk of investment losses on our commercial and residential mortgage- backed securities ~~that are~~ exposed to climate- related catastrophic losses that can cause business disruption, destroy capital, increase costs to recover from disasters, reduce revenue, and cause population displacement and migration. These, in turn, can lower residential and commercial property values, household wealth, and corporate profitability, ~~all~~ potentially creating financial and credit market losses impacting insurer asset values. As of December 31, ~~2022~~ **2023** , about ~~69~~ **70** % of our residential mortgage- backed securities were backed by government agencies. We generally invest in the top tranches of commercial mortgage- backed securities, which limit potential losses from property value declines **. As of December 31, 2023, about 75 % of our commercial mortgage- backed securities had" AAA" credit ratings** . Significant future investment value declines could require further losses recorded on securities we sell and credit losses. For more information regarding market interest rate, credit, and equity price risk, see Item 7A." Quantitative and Qualitative Disclosures About Market Risk." of this Form 10- K. We ~~have securities tied to LIBOR, which will be eliminated on June 30, 2023. As of December 31, 2022, approximately 11 % of our fixed income securities portfolio had floating rate securities primarily tied to 90- day U. S. dollar- denominated London Interbank Offered Rate (" LIBOR"). Historically, the global banking industry has used LIBOR as a primary metric to calculate interest rates for certain debt obligations, including personal and commercial loans, interest rate swaps, and other derivative products. In anticipation of LIBOR' s elimination, the U. S. Federal Reserve established the Alternative Reference Rates Committee (" ARRC") to select a U. S. Dollar replacement index. The ARRC, comprised of a broad group of private- market participants, including banks, asset managers, insurers, and industry regulators, identified the Secured Overnight Financing Rate (" SOFR") as the LIBOR- replacement benchmark rate. SOFR is based on overnight repurchase agreement transactions backed by U. S. Treasury securities. The ARRC announced a paced transition plan for this new rate, including specific steps and timelines designed to encourage the adoption of SOFR. Effective June 30, 2023, LIBOR will cease to exist, requiring remaining floating rate securities to transition to SOFR. Consequently, our fixed income securities portfolio may be subject to (i) interest rate and prepayment risk associated with the resetting of our floating rate coupons from LIBOR to SOFR, (ii) potential rating agency downgrades, (iii) reduced trading liquidity on securities with insufficient fallback transition language, and (iv) lower returns associated with basis risk from a reference rate mismatch between liabilities and assets in certain securitized assets. We continue to monitor the potential impact LIBOR' s elimination and the transition to SOFR will have on our floating rate investments' performance. We have and will continue to evaluate and monitor other LIBOR risks across the organization. We~~ are subject to the risks inherent in investing in private limited partnerships. Our alternative investments include private limited partnerships that invest in various strategies, such as private equity, private credit, and real assets. The primary assets and liabilities underlying ~~in~~ these limited partnership investments generally do not have quoted prices in active markets for the same or similar assets **. Consequently** , ~~so~~ their valuation is subject to a higher level of subjectivity and unobservable inputs than **most** ~~substantially all~~ of our other investments. **We** ~~Because we~~ record these limited partnership investments under the equity method of accounting, ~~any~~ **so** valuation decreases could negatively impact our results of operations. Determining the amount of credit losses taken on our investments is highly subjective and could materially impact our results of operations or our financial position. The determination of the amount of credit losses taken on our investments is based on our quarterly evaluation and assessment of our investments and known and inherent risks associated with the various asset classes. ~~Such~~ **Our allowance for credit losses is subject to significant judgments and assumptions regarding changes in economic conditions, estimated future cash flows, and the accuracy of third- party information used in internal assessments. We revise our** evaluations and assessments ~~are revised~~ as conditions change and new information becomes available ~~. Management updates its evaluations regularly, reflecting changes in credit losses~~ . There can be no assurance that management has accurately assessed the level of credit losses recorded in our Financial Statements. For further information about our evaluation and considerations for determining whether a security has a credit loss, please refer to" Critical Accounting Policies and Estimates" in Item 7." Management' s Discussion and Analysis of Financial Condition and Results of Operations." of this Form 10- K. Risks Related to Evolving Laws, Regulations, and Public Policy Debates We are subject to complex and changing laws, regulations, and public policy debates that expose us to regulatory scrutiny, potential liabilities, increased costs, reputational harm, and other adverse effects on our business. Our operations are subject to complex and changing state and federal laws, regulations, and public policy debates on subjects, including, without limitation, the following: • Pricing and underwriting practices; • Claims practices; • Loss and loss ~~adjustment~~ expense reserves; • Exiting geographic markets and / or canceling or non- renewing policies; • ~~ESG~~ **Sustainability** - related issues, including ~~ESG~~ **sustainability** investment mandates; • Climate change, including potential liability for related public disclosures; • Assessments for guaranty funds and second- injury funds, and other mandatory assigned risks and reinsurance; • The types, quality, and concentration of investments we make; • Minimum capital requirements for the Insurance Subsidiaries; • Dividends from our Insurance Subsidiaries to the Parent; • Privacy and data security; • Tax; • Antitrust; • Consumer protection; • Advertising; • Sales; • Billing and e- commerce; • Intellectual property ownership and infringement; • Digital platforms; • Internet, telecommunications, and mobile communications; • Media and digital content; • Availability of third- party software applications and services; • Labor and employment; • Anti- money laundering; and • Workplace environmental, health, and safety issues. Changes to laws and

regulations can adversely affect our business by increasing our costs, limiting our ability to offer a product or service to customers, requiring changes to our business practices, or otherwise making our products and services less attractive ~~to customers. If Congress passed legislation regulating insurer solvency oversight and state regulators remained responsible for rate approval, we could be subject to a conflicting regulatory framework that could impact our profitability and capital adequacy~~ . While we underwrite risks only in the U. S., international regulatory developments, primarily capital adequacy and risk management requirements in the European Union (" EU"), may influence U. S. regulators as they develop or revise domestic regulatory standards ~~. In the fourth quarter of 2020, the NAIC' s Group Capital Calculation Working Group adopted the basic structure of its new Group Capital Calculation and drafted model law changes that provide for its adoption as a state law requirement for U. S. insurance groups. Our New Jersey state insurance regulators adopted the GCC model law in 2022. Based on our 2022 statutory financial statements prepared in accordance with SAP, our GCC ratio exceeds the regulatory action minimum threshold. If the GCC requirements or our financial position changes, it could increase the amount of capital our Insurance Subsidiaries are required to hold~~ . We have implemented policies and procedures designed to ensure compliance with applicable laws and regulations. However, we can provide no assurance that our employees, contractors, or independent distribution partners will not violate such laws and regulations or our policies and procedures. To some degree, we have multiple regulators whose authority may overlap and may have different interpretations and / or regulations related to the same legal issues. Consequently, we have the risk that one regulator' s position or interpretation may conflict with another regulator on the same ~~issue~~ **point. For example, if Congress passed legislation regulating insurer solvency oversight and state regulators remained responsible for rate approval, we could be subject to a conflicting regulatory framework that could impact our profitability and capital adequacy** . The cost of complying with various **laws and regulations** , potentially conflicting laws and regulations, and changes in those laws and regulations, could have a material adverse effect on our results of operations, liquidity, financial condition, financial strength, and debt ratings. Insurers are subject to regulatory, political, and media scrutiny. We are subject to government market conduct reviews and investigations, legal actions, and penalties. There can be no assurance that our business will not be materially adversely affected by the outcomes of such examinations, investigations, or media scrutiny in the future. If we are found to have violated laws and regulations, it could materially adversely affect our reputation, financial condition, and operating results. Our business is subject to various state, federal, and other laws, rules, policies, and other obligations regarding data **use and** protection. We are subject to federal and state laws relating to ~~the collection~~ - **collecting** , ~~use~~ **using** , ~~retention~~ **retaining** , ~~security~~ **securing** , and ~~transfer~~ **transferring** ~~of~~ personally identifiable information (" PII"). Federal laws include the Gramm- Leach- Bliley Act, the Fair Credit Reporting Act, the Drivers Privacy Protection Act, the Health Insurance Portability and Accountability Act, and Unfair and Deceptive Acts and Practices laws. Several states, like New York, Nevada, Colorado, Virginia, and California, have passed laws in this area, and other jurisdictions are considering imposing additional restrictions or creating new rights concerning PII. These laws continue to develop and may be inconsistent from jurisdiction to jurisdiction. Complying with emerging and changing requirements may cause us to incur substantial costs or require us to change our business practices. Noncompliance could result in significant reputational harm, penalties, and legal liability. The EU adopted the General Data Protection Regulation (" GDPR") in 2016 **,** but it ~~did~~ **was** not ~~become~~ effective until 2018. GDPR regulates data protection and privacy in the EU and transfers of personal data outside the EU. GDPR' s main tenet is to give individuals primary control over their personal data. Because we do not write coverages in the EU, GDPR does not directly impact us. Some U. S. states have subsequently incorporated individual- control mechanisms into state privacy laws. Future EU data privacy actions likely will influence U. S. regulators over time. We make statements about our use and disclosure of PII in our privacy policy ~~,~~ on our website, and in other public venues. ~~If~~ **We could be subject to litigation or governmental actions if** we fail to comply with these public statements or federal and state privacy- related and data protection laws and regulations ~~, we could be subject to litigation or governmental actions~~ . Such proceedings could impact our reputation and result in penalties, including ongoing audit requirements and significant legal liability ~~. We are engaged in ordinary routine legal proceedings incidental to our insurance operations that are inherently unpredictable and could impact our reputation and / or have a material adverse effect on our consolidated results of operations or cash flows in particular quarterly or annual periods~~ . We are engaged in ordinary routine legal proceedings incidental to our insurance operations that include: • Defense of or indemnity for third- party suits brought against our insureds; • Defense of actions brought against us by our insureds who disagree with our coverage decisions, some of which allege bad faith claims handling and seek extra- contractual damages, punitive damages, or other penalties; • Actions we file, primarily for declaratory judgment, seeking confirmation that we have made appropriate coverage decisions under our insurance contracts; • Actions brought against competitors or us alleging improper business practices and sometimes seeking class status. Such actions historically have included issues and allegations, without limitation, related to (i) unfairly discriminatory underwriting practices, including the impact of credit score usage, (ii) managed care practices, such as provider reimbursement, and (iii) automobile claims practices; and • Actions we file against third parties and other insurers for subrogation and recovery of other amounts we paid on behalf of our insureds. From time to time, legal proceedings in which we are involved may receive media attention based on their perceived newsworthiness and / or relationship to various broad economic, political, social, and legal developments or trends. Such media stories could negatively impact our reputation. We expect any potential ultimate liability for ordinary routine legal proceedings incidental to our insurance business will not be material to our consolidated financial condition after considering estimated loss provisions. Litigation outcomes, however, are inherently unpredictable, even with meritorious defenses. The time a case is in litigation also is unpredictable, as state court dockets are increasingly overcrowded. Generally, the longer a case is in litigation, the more expensive it can become. Because the amounts sought in certain actions are large or indeterminate, any adverse outcomes could have a material adverse effect on our consolidated results of operations or cash flows in particular quarterly or annual periods. Additionally, we do not have any material litigation risks related to climate change. Risks Related to Our Corporate Structure and Governance We are a holding company, and our ability to declare dividends to our shareholders, pay indebtedness, and

enter into affiliate transactions may be limited because our Insurance Subsidiaries are regulated. Restrictions on our Insurance Subsidiaries' ability to pay dividends, make loans or advances to the Parent, or enter into transactions with affiliates may materially affect our ability to pay dividends on our preferred ~~stock~~ and common stock ~~,~~ or repay our indebtedness. Based on these restrictions, ~~the~~ **there is a** maximum ordinary annual ~~dividends~~ - **dividend amount** the Insurance Subsidiaries can provide the Parent ~~in 2023 is $ 283 million~~ . ~~Their~~ **Our Insurance Subsidiaries'** ability to pay dividends or make loans or advances ~~, however,~~ is subject to **the approval or review of our** domiciliary state insurance regulators ~~' approval or review~~ . For additional details regarding dividend restrictions, see Note 22." Statutory Financial Information, Capital Requirements, and Restrictions on Dividends and Transfers of Funds" in Item 8." Financial Statements and Supplementary Data." of this Form 10- K. The Parent' s ability to pay dividends to its stockholders is also impacted by covenants in its credit agreement (the" Line of Credit") among the Parent, the named lenders (the" Lenders"), and Wells Fargo Bank, National Association, as Administrative Agent. These covenants obligate the Parent to, among other things, maintain a minimum consolidated net worth and a maximum ratio of debt to capitalization. Our preferred stock' s terms limit the Parent' s ability to declare or pay dividends on, or purchase, redeem **,** or otherwise acquire ~~,~~ shares of its common stock or any shares of the Parent that rank junior to, or on parity with, the preferred stock if the Parent does not declare and pay (or set aside) dividends on the preferred stock for the last preceding dividend period. For additional details about the Line of Credit' s financial covenants, see Note 11." Indebtedness" in Item 8." Financial Statements and Supplementary Data" of this Form 10- K. For additional details about conditions related to our preferred stock, see Note 17." Equity" in Item 8." Financial Statements and Supplementary Data" of this Form 10- K. Because we are a New Jersey corporation and an insurance holding company, we may be less attractive to potential acquirers and our common stock' s value could be adversely affected. We are a New Jersey company, and provisions of the New Jersey Shareholders' Protection Act and our Amended and Restated Certificate of Incorporation may discourage, delay, or prevent us from being acquired. A supermajority of our shareholders must approve (i) certain business combinations with interested shareholders ~~,~~ or (ii) any amendment to the related provisions of our Amended and Restated Certificate of Incorporation unless certain conditions are met. These conditions may relate to, among other things, the interested stockholder' s acquisition of stock, the approval of the business combination by disinterested members of our Board and disinterested stockholders, and the price and payment of the consideration proposed in the business combination. In addition to considering the effects of any action on our shareholders (including any offer or proposal to acquire the Parent), our Board may consider ~~:~~ (i) the long- term, and short- term interests of the Parent and our shareholders, including the possibility that ~~these interests may best be served by~~ the Parent ~~'~~ **'** s continued independence ~~;~~ **may best serve these interests,** (ii) the effects of the action on the Parent' s employees, suppliers, creditors, and customers ~~;~~ **,** and (iii) the effects of the action on the community in which the Parent operates. These provisions of our Amended and Restated Certificate of Incorporation and New Jersey law could deprive our common shareholders of an opportunity to receive a premium over the prevailing market price in a hostile takeover and could adversely affect the value of our common stock. Because we own insurance subsidiaries, any party seeking to acquire 10 % or more of our common stock must seek prior approval from the subsidiaries' domiciliary insurance regulators and file extensive information about their business operations and finances. The New Jersey Department of Banking and Insurance Commissioner, who regulates seven of our Insurance Subsidiaries, also considers whether (i) the acquisition of control of an insurer would be adverse to the public interest or the protection of existing and future policyholders or (ii) persons seeking control would use control adversely to the public interest or the protection of policyholders. Risks Related to Our General Operations We and our distribution partners and vendors are subject to attempted cyber- attacks and other cybersecurity and system availability risks. Our business heavily relies on IT and application systems connected to or accessed from the Internet. Consequently, a malicious cyber- attack could affect us. Our systems also house proprietary and confidential information **about our operations, employees, agents, and customers and their employees and property** , including PII ~~, about our operations, employees, agents, and customers and their employees and property~~ . A malicious cyber- attack on (i) our systems, (ii) our distribution partners or their key operating systems, and (iii) any other of our third- party partners or vendors and their key operating systems may interrupt our ability to operate, damage our reputation and result in monetary damages that are difficult to quantify, and have a material adverse effect on our results of operations, liquidity, financial condition, financial strength, and debt ratings. ~~We~~ **Through encryption and authentication technologies, we** have implemented systems and processes ~~, through encryption and authentication technologies,~~ intended to mitigate or secure our IT systems and prevent unauthorized access to, or loss of, sensitive data. ~~As cyber~~ **Cyber** - attacks continue to evolve daily, **so** our security measures may not be sufficient for all eventualities. We may be vulnerable to hacking, employee error, malfeasance, system error, faulty password management, or other irregularities. These risks may be higher or lower for our third- party providers depending on the maturity of their security program, and we review their control environments to the extent possible and practical, aligning the risk exposure with our business requirements and risk tolerances. Any disruption or breach of our systems or data security could damage our reputation, result in ~~difficult to quantify~~ monetary damages **that are difficult to estimate** , and have a material adverse effect on our results of operations, liquidity, financial condition, financial strength, and debt ratings. To mitigate this risk, we have and expect to continue to (i) conduct employee education programs and tabletop exercises and (ii) develop and invest in a variety of controls to prevent, detect, and appropriately react to cyber- attacks, including frequently testing our systems' security and access controls. We have insurance coverage for certain cybersecurity risks, including privacy breach incidents, which may be insufficient to indemnify against all arising losses or types of claims. In addition to **the risk of** cyber- ~~attack~~ **attacks** ~~risk~~ , we face system availability risk. Our business relies heavily on various IT and application systems. We have robust business continuity plans designed to minimize the duration and impact of an unexpected loss of availability of any of these systems. Nevertheless, we could experience an event that impacts one or more of these systems, including those based in facilities where our vendors or we operate. This may interrupt our ability to ~~operate~~ **conduct business** and negatively impact our results of operations, despite our business continuity plans. Our long- term strategy to deploy operational leverage is dependent on the success of our risk management strategies, and

their failure could have a material adverse effect on our financial condition or results of operations. As an insurer, we assume risk from our policyholders. Our long- term strategy includes using above- average operational leverage **compared to the U. S. standard commercial and personal lines industry average** , measured as the ratio of NPW to our equity or statutory surplus. We balance and mitigate our operational leverage risk with several risk management strategies within our insurance operations to achieve a balance of growth and profit, including an underwriting risk appetite focused on small- to- medium- sized accounts. We ~~do~~ **accomplish** this by ~~using~~ **employing** significant reinsurance, a disciplined reserving approach, and a conservative investment philosophy. These strategies have inherent limitations. We cannot be certain that an event or series of unanticipated events will not occur and result in ~~losses~~ greater than ~~we expect~~ **expected losses** . Given our higher- than- industry average operating leverage, an event or series of unanticipated events could have a more material adverse effect on our results of operations, liquidity, financial condition, financial strength, and debt ratings compared to our industry.