Risk Factors Comparison 2024-02-23 to 2023-02-24 Form: 10-K

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Our businesses face significant risks. If any of the events or circumstances described as risks below occur, our businesses, results of operations and / or financial condition could be materially and adversely affected. In addition to those described below, our businesses may also be adversely affected by risks and uncertainties not currently known to us or that we currently consider immaterial. Risks Relating to Our Industry Our results may fluctuate as a result of many factors, including cyclical changes in the insurance and reinsurance industry. The results of companies in the property casualty insurance industry historically have been subject to significant fluctuations and uncertainties in demand and pricing, causing cyclical changes in the insurance and reinsurance industry. The demand for insurance is influenced primarily by general economic conditions, while the supply of insurance is often directly related to available capacity or the perceived profitability of the business. ~~We~~ **At times, we** have faced significant competition in our business as a result of existing insurers seeking to gain or maintain market share as well as new entrants and capital providers. Recently, premium rates have increased for most lines of business, while they have decreased in others, most notably workers' compensation **and certain professional liability lines of business** . The adequacy of premium rates is affected mainly by the severity and frequency of claims, which are influenced by many factors, including natural disasters, regulatory measures and court decisions that define and expand the extent of coverage, and the effects of economic and social inflation on the amount of claims payments due for injuries or losses. In addition, investment rates of return impact rate adequacy. These factors can have a significant impact on ultimate profitability because a property casualty insurance policy is priced before its costs are known as premiums usually are determined long before claims are reported. These factors could produce results that would have a negative impact on our results of operations and financial condition. We face significant competitive pressures in our businesses, which can pressure premium rates in certain areas and could harm our ability to maintain or increase our profitability and premium volume in some parts of our business. We compete with a large number of other companies in our selected lines of business. We compete, and will continue to compete, with major U. S. and non- U. S. insurers and reinsurers, other regional companies, as well as mutual companies, specialty insurance companies, underwriting agencies, diversified financial services companies and insurtech companies. Competitiveness in our businesses is based on many factors, including premium charges, ratings assigned by independent rating agencies, commissions paid to producers, the perceived financial strength of the company, other terms and conditions offered, services provided, ease of doing business, speed of claims payment and reputation and experience in the lines to be written. Periods of insurance industry consolidation may further increase competition in some parts of our business and may cause our insurance subsidiaries to incur greater customer retention and acquisition expenses, affecting the profitability of existing and new business. Some of our competitors, particularly in the reinsurance business, have greater financial and / or marketing resources than we do. These competitors within the reinsurance market include Swiss Re, Munich Re, Berkshire Hathaway and Partner Re. We expect that perceived financial strength, in particular, will become more important as customers seek high quality reinsurers. Recently, insurance prices have generally increased for most lines of business, excluding workers' compensation **and certain professional liability lines of business** . However, loss costs have also increased and the duration and magnitude of the improving pricing environment remains uncertain. Despite ~~rising~~ **higher** interest rates, current price levels for certain lines of business may remain below the prices required for us to achieve our long- term return objectives. We expect to continue to face strong competition in our business. In recent years, various types of investors have increasingly sought to participate in the property and casualty insurance and reinsurance industries. Well- capitalized new entrants to the property and casualty insurance and reinsurance industries, or existing competitors that receive substantial infusions of capital or access to third- party capital, provide increasing competition, which may adversely impact our business and profitability. Further, an expanded supply of capital may lower costs for insurers and, as a consequence, those insurers may be able to price their products more competitively. In addition, technology companies or other third parties have created, and may in the future create, technology- enabled business models, processes, platforms or alternate distribution channels that may adversely impact our competitive position in some parts of our business. This intense competition could cause the supply and / or demand for insurance or reinsurance to change, which affect our ability to price our products at attractive rates and retain existing business or write new products at adequate rates or on terms and conditions acceptable to us. If we are unable to retain existing business or write new business at adequate rates or on terms and conditions acceptable to us, our results of operations could be materially and adversely affected. Our actual claims losses may exceed our reserves for claims, which may require us to establish additional reserves. Our gross reserves for losses and loss expenses were approximately $ ~~17~~ **18** . ~~0~~ **7** billion as of December 31, ~~2022~~ **2023** . Our loss reserves reflect our best estimates of the cost of settling claims and related expenses with respect to insured events that have occurred. Reserves do not represent an exact calculation of liability. Rather, reserves represent an estimate of what management expects the ultimate settlement and claims administration will cost for claims that have occurred, whether known or unknown. The major assumptions about anticipated loss emergence patterns are subject to unanticipated fluctuation. These estimates, which generally involve actuarial projections, are based on management' s assessment of facts and circumstances then known, as well as estimates of future trends in claims severity and frequency, inflation, judicial theories of liability, reinsurance coverage, legislative changes and other factors, including the actions of third parties, which are beyond our control. The inherent uncertainties of estimating reserves are greater for certain types of liabilities, where long periods of time elapse before a definitive determination of liability is made and settlement is reached. In periods with increased economic volatility, it becomes more difficult to accurately estimate claim costs. It is especially difficult to estimate the impact of inflation on loss reserves given the current economic environment and related government actions. Both inflation overall and medical cost inflation, which has historically been greater than inflation overall, can have an adverse impact. In addition, although the Company has estimated the potential COVID- 19 impact to its contingency and event cancellation, workers' compensation, and other lines of business under a number of possible scenarios, there remains uncertainty around COVID- 19' s ultimate impact on the Company and its related reserves. Reserve estimates are continually refined in an ongoing process as experience develops and further claims are reported and settled. Adjustments to reserves are reflected in the results of the periods in which such estimates are changed. Because setting reserves is inherently uncertain, we cannot assure that our current reserves will prove adequate in light of subsequent events. Should we need to increase our reserves, our pre- tax income for the reporting period would decrease by a corresponding amount. We discount our reserves for excess and assumed workers' compensation business because of the long period of time over which losses are paid. Discounting is intended to appropriately match losses and loss expenses to income earned on investment securities supporting liabilities. The expected loss and loss expense payout pattern subject to discounting is derived from our loss payout experience. Changes in the loss and loss expense payout pattern are recorded in the period they are determined. If the actual loss payout pattern is shorter than anticipated, the discount will be reduced and pre- tax income will decrease by a corresponding amount. The effects of emerging claim and coverage issues on our business are uncertain. As industry practices and economic, legal, judicial, social, technological and other environmental conditions change, unexpected and unintended issues related to claim and coverage may emerge. These issues may adversely affect our business by either extending coverage beyond our underwriting intent or by increasing the number or size of claims. Examples of emerging claims and coverage issues include, but are not limited to: • judicial expansion of policy coverage and a greater propensity to grant claimants more favorable amounts and the impact of new theories of liability; • plaintiffs targeting property and casualty insurers, including us, in purported class action litigation relating to claims- handling and other practices; • social inflation trends, including higher and more frequent claims, more favorable judgments and legislated increases; • medical developments that link health issues to particular causes, resulting in liability claims; • claims relating to unanticipated consequences of current or new technologies, including cyber security related risks; • claims relating to potentially changing climate conditions; and • increased claims due to third party funding of litigation. In some instances, these emerging issues may not become apparent for some time after we have issued the affected insurance policies. As a result, the full extent of liability under our insurance policies may not be known until many years after the policies are issued. In addition, the potential passage of new legislation designed to expand the right to sue, to remove limitations on recovery, to extend the statutes of limitations or otherwise to repeal or weaken tort reforms could have an adverse impact on our business. The effects of these and other unforeseen emerging claim and coverage issues are difficult to predict and could harm our business and materially and adversely affect our results of operations. As a property casualty insurer, we face losses from natural and man- made catastrophes. Property casualty insurers are subject to claims arising out of catastrophes that may have a significant effect on their results of operations, liquidity and financial condition. Catastrophe losses have had a significant impact on our results. For example, catastrophe losses net of reinsurance recoveries, including COVID- 19 related losses, were $ **195 million in 2023, $** 212 million in 2022, **and** $ 202 million in 2021 ~~, and $ 340 million in 2020~~ . Similarly, man- made catastrophes can also have a material impact on our financial results. Depending on market conditions and other factors, we may seek to increase our writing of property casualty insurance, and, accordingly, our exposure to catastrophic events would be increased. Catastrophes can be caused by various events, including hurricanes, windstorms, earthquakes, tsunamis, hailstorms, explosions, severe winter weather and fires, pandemics, as well as terrorist and other man- made activities, including drilling, mining and other industrial accidents, the bankruptcy of a major company, war or other military actions, social unrest, cyber events or terrorist activities. The incidence and severity of catastrophes are inherently unpredictable, and longer- term natural catastrophe trends may be changing due to climate change causing increased variability and unpredictability. The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Some catastrophes are restricted to small geographic areas; however, hurricanes, earthquakes, tsunamis and other disasters may produce significant damage in large, heavily populated areas. Catastrophes can cause losses in a variety of our property and casualty lines, and most of our past catastrophe- related claims have resulted from severe storms. Seasonal weather variations or the impact of climate change may affect the severity and frequency of our losses. Insurance companies are not permitted to reserve for a catastrophe until it has occurred. It is therefore possible that a catastrophic event or multiple catastrophic events could produce significant losses and have a material adverse effect on our results of operations and financial condition. The COVID- 19 pandemic ~~has previously~~ materially and adversely affected our results of operations, and, whether as a result of COVID- 19' s long- term effects, or new or emerging variants, or other potential pandemics, may further materially and adversely affect our results of operations, financial position and liquidity in the future. The ~~ongoing~~ COVID- 19 pandemic, including the related impact on the U. S. and global economies, materially and adversely affected our results of operations. The pandemic ~~and its~~ **' s** impact on our business may continue, and potentially even worsen, whether as a result of COVID- 19' s long- term effects, or new or emerging variants, or even other potential pandemics. We cannot predict the magnitude or duration of such impact, particularly given the uncertainties associated with COVID- 19 **or** ~~, including regarding the U. S. and global economies and the recovery from its devastating economic and~~ other ~~effects~~ **potential pandemics** . The ultimate impact of COVID- 19 **or other potential pandemics** on our results of operations, financial position and liquidity is not yet known, but includes the following: Adverse Legislative and Regulatory Action. Legislative and regulatory initiatives in response to COVID- 19 or other similar **future** pandemics may adversely affect us, particularly in our workers' compensation and property coverages businesses. For example, our business may be subject to, certain initiatives, including, but not limited to: legislative and regulatory action that seeks to retroactively mandate coverage for losses that our insurance policies would not otherwise cover and which were not priced to cover; legislative and regulatory action providing for shifting presumptions with respect to the burdens of proof for " essential " workers on workers' compensation coverages and varying definitions of " essential " workers; actions prohibiting us from cancelling insurance policies in accordance with our policy terms or non- renewing policies at their natural expiration; and / or orders to provide premium refunds, grant extended grace periods for premium payments, and provide extended time to pay past due premiums. Any such action would likely increase both our underwriting losses and our expenses and any legal challenges to any such action could take years to resolve. Claim Losses Related to COVID- 19 May Exceed Reserves. As of December 31, ~~2022~~ **2023** , we recorded approximately $ ~~341~~ **384** million for COVID- 19- related losses. Our reserves do not represent an exact calculation of liability, but represent an estimate of what management expects the ultimate settlement and claims administration will cost for claims that have occurred, whether known or unknown. Accordingly, given the uncertainties still associated with COVID- 19 and its impact, our reserves and the underlying estimated level of claim losses and costs arising from COVID- 19 may materially change. Claim Losses and Adjustment Expenses May Increase. As the effects of COVID- 19 **or future pandemics** on industry practices and economic, legal, judicial, social and other environmental conditions occur, unexpected and unintended issues related to claims and coverages may emerge. These issues may adversely affect our business by extending coverage beyond our underwriting intent (including in the area of property coverages where physical damage requirements and communicable disease exclusions are currently being challenged) or by increasing the number and / or size of claims, each of which could adversely impact our results. Reinsurance. We purchase reinsurance in order to transfer part of the risk that we have assumed by writing insurance policies to reinsurance companies in exchange for part of the premium we receive in connection with assuming such risk. Although reinsurance makes the reinsurer contractually liable to us to the extent the risk is transferred to the reinsurer, it does not relieve us of our liability to our policyholders. There may be uncertainty surrounding the availability of reinsurance coverage for **losses related to** COVID- 19 ~~- related losses~~ **or any future pandemics** as our reinsurers may dispute the applicability of reinsurance to such losses (including the application of reinsurance reinstatements) and, as a result, our reinsurers may refuse to pay reinsurance recoverables related thereto or they may not pay them on a timely basis. **On December 22, 2023, one of the Company' s subsidiaries filed a lawsuit against certain reinsurers to recover in excess of $ 90 million in respect of certain losses paid to its policyholders under certain event cancellation and related insurance policies. See," Item 3. Legal Proceedings."** In addition, we may be unable to renew our current reinsurance coverages or obtain appropriate new reinsurance covers with respect to certain exposures under our policies, including **exposures related to** COVID- 19 ~~- related exposures~~ **or any future pandemics** , and therefore our net exposures could increase, or if we are unwilling to bear such increase in net exposure, we may reduce our level of underwriting commitments. Premium Volumes May Be Negatively Impacted. The demand for insurance is significantly influenced by general economic conditions. Consequently, any reduced economic activity relating to ~~COVID- 19 or other~~ potential pandemics is likely to decrease demand for our insurance products and services and negatively impact our premium volumes (and, in certain cases, may result in return of premiums due to a decrease in exposures). ~~This may continue for an indefinite period, with the magnitude of the impact impossible to predict. In addition, as we continue to evaluate the effects of COVID- 19 on the insurance coverages we currently offer, our appetite for providing certain coverages in various jurisdictions may change, which could further negatively impact our premium volumes. Any such reduction in our premiums would likely cause our expense ratio to rise.~~ Investments. ~~Further disruptions~~ **Disruptions** in global financial markets due to ~~the continuing impact of COVID- 19 or~~ future pandemics could cause us to incur ~~additional~~ unrealized and / or realized investment losses, including impairments in our fixed maturity portfolio and other investments. In addition, the economic uncertainty may result in a decline in interest rates, which may negatively impact our net investment income from future investment activity. Operational Disruptions and Costs. Our operations could be disrupted if key members of our senior management or a significant percentage of our workforce or the workforce of our agents, brokers, suppliers or other third party service providers are unable to continue to work because of illness, government directives or otherwise. In addition, our agents, brokers, suppliers and other third party service providers, which we rely on for key aspects of our operations, are subject to similar risks and uncertainties, which may interfere with their ability to fulfill their respective commitments and responsibilities to us in a timely manner and in accordance with the agreed- upon terms. Any remote working policies we implement may result in disruptions to our business routines, heightened risk to cybersecurity attacks and data security incidents and a greater dependency on internet and telecommunication access and capabilities. Changing climate conditions may alter the frequency and increase the severity of catastrophic events and thereby adversely affect our financial condition and results. **In recent** ~~Over the past several~~ years, changing weather patterns and climatic conditions, such as global warming, appear to have contributed to the unpredictability, frequency and severity of natural disasters and created additional uncertainty as to future trends and exposures. There is a ~~growing~~ scientific consensus that global warming and other climate change are altering the frequency, severity and peril characteristics of catastrophic weather events, such as hurricanes, windstorms, floods and other natural disasters. Such changes make it more difficult for us to predict and model catastrophic events, reducing our ability to accurately price our exposure to such events and mitigate our risks. Any increase in the frequency or severity of natural disasters may adversely affect our financial condition and results. We, as a primary insurer, may have significant exposure for terrorist acts. To the extent an act of terrorism, whether a domestic or foreign act, is certified by the Secretary of Treasury, we may be covered under the Terrorism Risk Insurance Program Reauthorization Act of 2019 (" TRIPRA "), for up to 80 % of our covered losses for certain property / casualty lines of insurance. However, any such coverage would be subject to a mandatory deductible based on 20 % of earned premium for the prior year for the covered lines of commercial property and casualty insurance. Based on our ~~2022~~ **2023** earned premiums, our aggregate deductible under TRIPRA during ~~2023~~ **2024** is approximately $ 1, ~~310~~ **464** million. In addition, the coverage provided under TRIPRA does not apply to reinsurance that we write. To the extent that our reinsurers have excluded coverage for certain terrorist acts or have priced this coverage at rates that make purchasing such coverage economically infeasible, we may not have reinsurance protection and could be exposed to potential losses as a result of any acts of terrorism. We are exposed to, and may face adverse developments involving, mass tort claims. We are exposed to, and may face adverse developments involving, mass tort claims such as those relating to exposure to potentially harmful products or substances. We face potential exposure to mass tort claims, including claims related to exposure to potentially harmful products or substances, such as lead paint, polyfluoroalkyl substances, talc and opioids. Establishing loss reserves for mass tort claims is subject to uncertainties because of many factors, including adverse changes to the tort environment (e. g., increased and more aggressive attorney involvement in insurance claims, increased litigation, expanded theories of liability, higher jury awards, lawsuit abuse and third- party litigation finance, among others); evolving judicial interpretations, including application of various theories of joint and several liabilities; disputes concerning medical causation with respect to certain diseases; geographical concentration of the lawsuits asserting the claims; and the potential for a large rise in the total number of claims without underlying epidemiological developments suggesting an increase in disease rates. Because of the uncertainties set forth above, additional liabilities may arise for amounts in excess of the current loss reserves. In addition, our estimate of loss reserves may change. These additional liabilities or increases in estimates, or a range of either, could vary significantly from period to period and could materially and adversely affect our results of operations and / or our financial position. We are subject to extensive governmental regulation, which increases our costs and could restrict the conduct of our business. We are subject to extensive governmental regulation and supervision in both the United States and foreign jurisdictions. Most insurance regulations are designed to protect the interests of policyholders rather than stockholders and other investors. This system of regulation, generally administered in the United States by a department of insurance in each state in which we do business, relates to, among other things: • standards of solvency, including risk- based capital measurements; • restrictions on the nature, quality and concentration of investments; • limitations on the amount of dividends, tax distributions, intercompany loans and other payments that can be made without prior regulatory approval; • requirements pertaining to certain methods of accounting; • evaluating enterprise risk to an insurer; • **privacy, data protection, and cybersecurity; •** rate and form regulation pertaining to certain of our insurance businesses; • potential assessments for the provision of funds necessary for the settlement of covered claims under certain policies provided by impaired, insolvent or failed insurance companies; and • involvement in the payment or adjudication of catastrophe or other claims beyond the terms of the policies. State insurance departments conduct periodic examinations of the affairs of insurance companies and require the filing of annual and other reports relating to the financial condition of insurance companies, holding company issues and other matters. Our Insurance business internationally is also generally subject to a similar regulatory scheme in each of the jurisdictions where we conduct operations outside the United States. Federal financial services modernization legislation and legislative and regulatory initiatives taken or which may be taken in response to conditions in the financial markets, global insurance supervision and other factors may lead to additional federal regulation of the insurance industry in the coming years. The Dodd- Frank Act effected sweeping changes to financial services regulation in the United States. The Dodd- Frank Act established the ~~Financial Stability Oversight Council ("~~ FSOC ~~")~~ , which is authorized to recommend that certain systemically significant non- bank financial companies, including insurance companies, be regulated by the Board of Governors of the Federal Reserve. The Dodd- Frank Act also established a ~~Federal Insurance Office ("~~ FIO ~~")~~ which is authorized to study, monitor and report to Congress on the U. S. insurance industry and the significance of global reinsurance to the U. S. insurance market. The FIO also can recommend that the FSOC designate an insurer as an entity posing risks to the United States financial stability in the event of the insurer' s material financial distress or failure. Our business could be affected by changes, whether as a result of potential changes to the Dodd- Frank Act, to the U. S. system of insurance regulation or our designation or the designation of insurers or reinsurers with which we do business as systemically significant non- bank financial companies. The topic of climate risk has come under increased scrutiny by the NAIC and insurance regulators. For instance, in New York, the NYDFS ~~issued a~~ **' s** circular letter **, which** ~~in September 2020 that~~ applies to ~~both New York domestic and foreign authorized insurers, such as~~ our insurance subsidiaries licensed in New York **,** ~~. The circular letter~~ states that **regulated** ~~the NYDFS expects these~~ insurers **are expected** to integrate financial risks related to climate change into their governance frameworks, risk management processes, business strategies and scenario analysis, and develop their approach to climate- related financial disclosure. The NYDFS also amended the regulation governing enterprise risk management, which applies to our insurance subsidiaries licensed in New York, that requires an insurance group' s enterprise risk management function to address certain additional risks, including climate change risk. In addition, the FIO is assessing how the insurance sector may help mitigate climate- related risks and achieve national climate- related goals **, and it released a report in June 2023 urging insurance regulators to adopt climate- related risk monitoring guidance** . These measures may subject us to increased oversight at the state and federal level. State regulation is the primary form of regulation of insurance and reinsurance in the United States, although Congress has considered various proposals regarding federal regulation of insurance, in addition to the changes brought about by the Dodd- Frank Act, such as proposals for the creation of an optional federal charter for insurance companies. We may be subject to potentially increased federal oversight as a financial institution. In addition, the current U. S. administration and the volatile political environment ~~may~~ **(including, in particular, the upcoming U. S. presidential election in November 2024)** ~~increase~~ **increases** the chance of other federal legislative and regulatory changes that could affect us in ways we cannot predict. With respect to international measures, Solvency II, the EU regime concerning the capital adequacy, risk management and regulatory reporting for insurers and reinsurers may affect our insurance businesses. ~~Implementation~~ **As described in " International Regulation " above, the EU is performing a review** of Solvency II ~~in~~ **and various regulatory reforms are expected to be introduced during 2024, which** EU member states **will implement in** ~~occurred on January 1, 2016, and as the~~ **their domestic** ~~Solvency II regime evolves over time, we may be required to utilize a significant amount of resources to ensure compliance. In particular, the European Commission has undertaken a review of Solvency II and on September 22, 2021, published a package of proposed legislative reforms for amending the existing regulatory~~ **regulation** ~~framework. The European Council published its agreed position on the European Commission' s proposed reforms in June 2022, and it is now discussing this proposed legislation with the European Parliament~~ . In addition, despite the waiver of the Solvency II group capital requirements we received, Solvency II may have the effect of increasing the capital requirements of our EU domiciled insurers. Additionally, our capital requirements and compliance requirements may be adversely affected if the European Commission does not deem the insurance regulatory regimes of the jurisdictions outside the EU in which we have insurance or reinsurance companies domiciled to be " equivalent " to Solvency II. Similar considerations apply to our U. K. subsidiaries, which are now subject to a separate U. K. prudential regime, which is broadly identical to Solvency II. However, the two regimes, and their respective requirements, are ~~likely to diverge~~ **diverging** ~~in the near future~~ due to both the EU' s review of Solvency II described above and **the recently adopted** ~~HM Treasury' s publication of a finalized package of~~ reforms to the U. K.' s domestic prudential regime ~~on November 17, 2022~~ (please see " International Regulation " above for more information). We therefore may be required to utilize additional resources to ensure compliance with the different rules in each regime. If our compliance with Solvency II, the U. K.' s prudential regime or any other regulatory regime is challenged, we may be subject to monetary or other penalties. In addition, in order to ensure compliance with applicable regulatory requirements or as a result of any investigation, including remediation efforts, we could be required to incur significant expenses and undertake additional work, which in turn may divert resources from our business. We may be unable to maintain all required licenses and approvals and our business may not fully comply with the wide variety of applicable laws and regulations or the relevant authority' s interpretation of the laws and regulations. Also, some regulatory authorities have relatively broad discretion to grant, renew or revoke licenses and approvals. If we do not have the requisite licenses and approvals or do not comply with applicable regulatory requirements, the insurance regulatory authorities could preclude or temporarily suspend us from carrying on some or all of our activities or monetarily penalize us. Also, changes in the level of regulation of the insurance industry, whether federal, state or foreign, or changes in laws or regulations themselves or interpretations thereof by regulatory authorities, may further restrict the conduct of our business. Risks Relating to Our Business Our expanding international operations expose us to increased investment, political, legal / regulatory, and economic risks, including foreign currency and credit risk. Our expanding international operations in the United Kingdom, Continental Europe, South America, Canada, Mexico, Scandinavia, the Asia- Pacific region, South Africa and Australia expose us to increased investment, political, legal / regulatory, and economic risks, including foreign currency and credit risk. Changes in the value of the U. S. dollar relative to other currencies **have had and** could **in the future** have an adverse effect on our results of operations and financial condition. Our investments in non- U. S.- denominated assets are subject to fluctuations in non- U. S. securities and currency markets, and those markets can be volatile. Non- U. S. currency fluctuations also affect the value of any dividends paid by our non- U. S. subsidiaries to their parent companies in the U. S. We face additional risks as a result of our international operations which could have an adverse effect on our results of operations and financial condition including: burdens and costs of compliance with a variety of foreign laws and regulations and the associated risk and costs of non- compliance; exposure to undeveloped or evolving legal systems, which may result in unpredictable or inconsistent application of laws and regulations; exposure to commercial, political, legal or regulatory corruption; political, economic or other instability in countries in which we conduct business, including possible terrorist acts; the imposition of tariffs, trade barriers or other protectionist laws or business practices that favor local competition, increased costs and adverse effects on our business; changes to visa or immigration policies; diminished ability to enforce our contractual rights; potential increased risk of data breaches; differences in cultural environments; sociopolitical instability; social, political or economic instability resulting from climate change; changes in regulatory requirements, including changes in regulatory treatment of certain products or services; exposure to local economic conditions and its impact on our clients' performance and creditworthiness; and restrictions on the repatriation of non- U. S. investments and earnings. Our U. K. business could be specifically adversely impacted by the imposition of trade barriers between the EU and the U. K. following Brexit, which has already reduced the level of trade between the two markets and the U. K.' s overall trade exports, thereby negatively affecting the attractiveness of the U. K. market. We may be unable to attract and retain key personnel and qualified employees. We depend on our ability to attract and retain key personnel, including our President and CEO, Executive Chairman, senior executive officers, presidents of our businesses, experienced underwriters and other skilled employees who are knowledgeable about our business. If the quality of our underwriting team and other personnel decreases, we may be unable to maintain our current competitive position in the specialized markets in which we operate, and be unable to expand our operations into new products and markets. We cannot guarantee that our reinsurers will pay in a timely fashion, if at all, and, as a result, we could experience losses. We purchase reinsurance by transferring part of the risk that we have assumed, known as ceding, to a reinsurance company in exchange for part of the premium we receive in connection with the risk. Although reinsurance makes the reinsurer contractually liable to us to the extent the risk is transferred or ceded to the reinsurer, it does not relieve us, the reinsured, of our liability to our policyholders. Our reinsurers may not pay the reinsurance recoverables that they owe to us or they may not pay such recoverables on a timely basis. This failure to pay or failure to pay on a timely basis may be due to factors such as whether reinsurers, their affiliates or certain indemnitors have the financial capacity and willingness to make payments under the terms of a reinsurance treaty or contract. Accordingly, we bear credit risk with respect to our reinsurers, and if our reinsurers fail to pay us, our financial results would be adversely affected. Underwriting results and investment returns of some of our reinsurers may affect their future ability to pay claims. As of December 31, ~~2022~~ **2023** , the amount due from our reinsurers was approximately $ 3, ~~188~~ **535** million, including amounts due from state funds and industry pools where it was intended that we would bear no risk. Certain of these amounts are secured by letters of credit or by funds held in trust on our behalf. We are subject to credit risk relating to our policyholders, independent agents and brokers. In addition to exposure to credit risk related to our reinsurance recoverables and investment portfolio, we are exposed to credit risk in several other areas of our business, including credit risk relating to policyholders, independent agents and brokers. For example our policyholders, independent agents or brokers may not pay a part of or the full amount of premiums owed to us or our brokers or other third party claim administrators may not deliver amounts owed on claims under our insurance and reinsurance contracts for which we have provided funds. As credit risk is generally a function of the economy, we face a greater credit risk in an economic downturn. While we attempt to manage credit risks through underwriting guidelines, collateral requirements and other oversight mechanisms, our efforts may not be successful. For example, to reduce such credit risk, we require certain third parties to post collateral for some or all of their obligations to us. In cases where we receive pledged securities and the applicable counterparty is unable to honor its obligations, we may be exposed to credit risk on the securities pledged and / or the risk that our access to that collateral may be stayed as a result of bankruptcy. In cases where we receive letters of credit from banks as collateral and one of our counterparties is unable to honor its obligations, we are exposed to the credit risk of the banks that issued the letters of credit. We are rated by A. M. Best, Standard & Poor' s, Moody' s, and Fitch, and a decline in these ratings could affect our standing in the insurance industry and cause our sales and earnings to decrease. Ratings have become an increasingly important factor in establishing the competitive position of insurance companies. Certain of our insurance company subsidiaries are rated by A. M. Best, Standard & Poor' s, Moody' s and Fitch. Our ratings are subject to periodic review, and we cannot assure you that we will be able to retain our current or any future ratings, especially given that rating agencies may change their criteria or increase capital requirements for various rating levels. For instance, Standard & Poor' s has recently proposed changes to its rating model which could impact our rating depending on final changes that are implemented. If our ratings are reduced from their current levels by A. M. Best, Standard & Poor' s, Moody' s or Fitch, our competitive position in the insurance industry could suffer and it would be more difficult for us to market our products. A ratings downgrade could also adversely limit our access to capital markets, which may increase the cost of debt. A significant downgrade could result in a substantial loss of business as policyholders move to other companies with higher financial strength ratings. If market conditions cause reinsurance to be more costly or unavailable, we may be required to bear increased risks or reduce the level of our underwriting commitments. As part of our overall risk and capacity management strategy, we purchase reinsurance for certain amounts of risk underwritten by our insurance company subsidiaries, especially catastrophe risks and those risks with relatively high policy limits. We also purchase reinsurance on risks underwritten by others which we reinsure. Market conditions beyond our control determine the availability and cost of the reinsurance protection we seek to purchase, which may affect the level of our business and profitability. Our reinsurance contracts are generally subject to annual renewal, and we may be unable to maintain our current reinsurance contracts or to obtain other reinsurance contracts in adequate amounts and at favorable rates. In addition, we may be unable to obtain reinsurance on terms acceptable to us relating to certain lines of business that we intend to begin writing. If we are unable to renew our expiring contracts or to obtain new reinsurance contracts, either our net exposures would increase or, if we are unwilling to bear an increase in net exposures, we would have to reduce the level of our underwriting commitments, especially catastrophe exposed risks. Depending on conditions in the financial markets and the general economy, we may be unable to raise debt or equity capital if needed. If conditions in the financial markets and the general economy are unfavorable, which may result from disruptions, uncertainty or volatility in the capital and credit markets, we may be unable to access debt or equity capital on acceptable terms if needed, which could have a negative impact on our ability to invest in our insurance company subsidiaries and / or to take advantage of opportunities to expand our business, such as **the creation of new ventures and** possible acquisitions ~~and the creation of new ventures~~ , and inhibit our ability to refinance our existing indebtedness if we desire to do so, on terms acceptable to us. We may not find suitable ~~acquisition candidates or~~ new insurance ventures **and acquisition candidates** and even if we do, we may not **successfully invest in such ventures or** successfully integrate any such acquired companies ~~or successfully invest in such ventures~~ . As part of our present strategy, we continue to evaluate **the** possible ~~acquisition transactions and the~~ start- up of complementary businesses **and acquisition transactions** on an ongoing basis, and at any given time we may be engaged in discussions with respect to possible ~~acquisitions and~~ new ventures **and acquisitions** . We cannot assure you that we will be able to identify suitable **insurance ventures or** acquisition targets ~~or insurance ventures~~ , that such transactions will be financed and completed on acceptable terms or that our future ~~acquisitions or~~ start- up ventures **or acquisitions** will be successful. Our financial results could be adversely affected by acquired businesses not performing as projected, unforeseen liabilities, routine and unanticipated transaction- related charges, diversion of management time and resources to acquisition integration challenges or growth strategies, loss of key employees, challenges in integrating information technology systems of acquired companies with our own, amortization of expenses related to intangibles, charges for impairment of long- term assets or goodwill and indemnification. The process of **investing in new ventures or** integrating any companies we do acquire ~~or investing in new ventures~~ may have a material adverse effect on our results of operations and financial condition. If ~~we experience difficulties with~~ our information technology, telecommunications or other computer systems **become unavailable or unreliable** , our ability to conduct our business could be negatively or severely impacted. Our business is highly dependent upon our employees' ability to perform necessary business functions in an efficient and uninterrupted fashion. A shut- down of, or inability to access, one or more of our facilities, a power outage or a failure of one or more of our information technology, telecommunications or other computer systems could significantly impair our employees' ability to perform such functions on a timely basis. In the event of a disaster such as a natural catastrophe, terrorist attack or industrial accident, **physical** or **electronic security breaches, such as breaches by computer hackers,** the infection of our systems by a malicious computer virus **, denial of service attack, or other cybersecurity incident** , our systems could be inaccessible for an extended period of time. In addition, because our information technology and telecommunications systems interface with and depend on third- party systems, we could experience service denials or failures of controls if demand for our service exceeds capacity or a third- party system fails or experiences an interruption. If our business continuity plans or system security does not sufficiently address such a business interruption, system failure or service denial, our ability to write and process new and renewal business, provide customer service, pay claims in a timely manner or perform other necessary business functions could be significantly impaired and our business could be harmed. Failure to maintain the security of information technology systems and confidential data may expose us to liability. Although we have taken steps intended to protect our data and information technology systems and mitigate the risk of harm caused by cybersecurity incidents or breaches, no safeguards are perfect and any failure of these safeguards could cause a substantial disruption of our business operations, which could result in service interruptions, data security compromises, regulatory action, and other similar operational and legal issues, as well as substantial remediation and other costs. Our operations rely on the secure processing, storage and transmission of confidential and other **sensitive** information **, including personal information,** in our computer systems and networks. Cybersecurity breaches, including physical or electronic break- ins, computer viruses, malware, attacks by hackers, ransomware attacks, phishing attacks, supply chain attacks, breaches due to employee error or misconduct and other similar breaches can create system disruptions, shutdowns or unauthorized access to **, or disclosure of,** information maintained in our information technology systems and in the information technology systems of our vendors and other third parties. We have in the past experienced cybersecurity breaches of our information technology systems as well as the information technology systems of our vendors and other third parties, but, to our knowledge, we have not experienced any material cybersecurity breaches. We expect cybersecurity breaches to continue to occur in the future and we are constantly managing efforts to infiltrate and compromise our systems and data. Our electronic transmission of personal, confidential and proprietary information to third parties with whom we have business relationships and our outsourcing of certain technology and business process functions to third parties may expose us to enhanced risk related to data security. While we **have implemented** ~~attempt to develop~~ secure data transmission capabilities with these third- party vendors and others with whom we do business, **such capabilities may not function as intended and** our vendors and third parties could still suffer data breaches that could result in the exposure of sensitive data and the infiltration of our computer systems. Our failure to effectively protect sensitive personal and / or proprietary information, whether owing to breaches of our own systems or those of our vendors and other third parties, could result in significant monetary and reputational damages, material adverse effects to our financial condition, costly litigation, or other regulatory enforcement actions. These increased risks, and expanding regulatory requirements regarding data security, including required compliance with **applicable privacy and data protection laws (e. g.,** the GDPR, CCPA, ~~CPRA~~ and ~~additional~~ **other** state- specific privacy statutes and regulations, could expose us to data loss, monetary and reputational damages and significant increases in compliance costs. As a result, our ability to conduct our business could be materially and adversely affected. We could be adversely affected if our controls to ensure compliance with guidelines, policies and legal and regulatory standards are not effective. Our business is highly dependent on our ability to engage on a daily basis in a large number of insurance underwriting, claim processing and investment activities, many of which are highly complex. These activities often are subject to internal guidelines and policies, as well as legal and regulatory standards, including those related to privacy **and data security** , anti- corruption, anti- bribery and global finance and insurance matters. Our continued expansion into new international markets has brought about additional requirements. A control system, no matter how well designed and operated, can provide only reasonable assurance that the control system' s objectives will be met. If our controls are not effective, it could lead to financial loss, unanticipated risk exposure (including underwriting, credit and investment risk) **, regulatory scrutiny, and /** or damage to our reputation. We could be adversely affected by changes in U. S. Federal income tax laws. Tax legislation commonly referred to as the Tax Cuts and Jobs Act, which was signed into law on December 22, 2017, fundamentally overhauled the U. S. tax system by, among other significant changes, reducing the U. S. corporate income tax rate to 21 %. In the context of the taxation of U. S. property / casualty insurance companies such as the Company, the Act also modified the loss reserve discounting rules and the proration rules that apply to reduce reserve deductions to reflect the lower corporate income tax rate. It is possible that other legislation could be introduced and enacted by the current Congress or future Congresses that could have an adverse impact on us. New regulations or pronouncements interpreting or clarifying provisions of the Act may be forthcoming. We cannot predict if, when or in what form such regulations or pronouncements may be provided, whether such guidance will have a retroactive effect or their potential impact on us. Limitations in risk management and loss limitation methods may adversely impact our business. We seek to effectively manage risk and limit our losses in a variety of ways including through effective underwriting, tailoring policy terms, and the use of reinsurance. However, there are certain limitations in these and similar tactics and as a result, loss levels may be higher than modeled or otherwise expected, which could have a material adverse effect on our business. Increased scrutiny on social responsibility and the efforts we take to implement related measures, or the failure to take such measures, may adversely impact our business. There is increased scrutiny from regulators and investors on the measures companies take to be socially responsible. Although we have made efforts to be responsible in this manner, for example through our commitment to fostering a unifying culture and encouraging innovation across our operating units, these types of pressures may nonetheless present challenges and have an adverse impact on our business. In addition, we may be subject to negative publicity based on a failure or perceived failure to achieve various social responsibility initiatives and goals relating to diversity, equity and inclusion, and commitment to long- term sustainability we may announce from time to time, or based on an actual or perceived increase in related risks as a result of our or our industry' s business activities. Risks Relating to Our Investments A significant amount of our assets is invested in fixed maturity securities and is subject to market fluctuations. Our investment portfolio consists substantially of fixed maturity securities. As of December 31, ~~2022~~ **2023** , our investment in fixed maturity securities was approximately $ ~~17~~ **20** . ~~6~~ **2** billion, or ~~72~~ **75** . ~~4~~ **8** % of our total investment portfolio ~~,~~ including cash and cash equivalents. As of that date, our portfolio of fixed maturity securities consisted of the following types of securities: U. S. Government securities (~~5~~ **8** . ~~1~~ **4** %); state and municipal securities (~~16~~ **13** . ~~8~~ **3** %); corporate securities (~~38~~ **37** . ~~1~~ **9** %); asset- backed securities (~~22~~ **20** . ~~6~~ **8** %); mortgage- backed securities (~~9~~ **11** . ~~4~~ **3** %) and foreign government (8. ~~0~~ **3** %). The fair value of these assets and the investment income from these assets fluctuate depending on general economic and market conditions. The fair value of fixed maturity securities generally decreases as interest rates rise. If a significant increase in interest rates were to occur, the fair value of our fixed maturity securities would be negatively impacted, while investment income earned from future investments in fixed ~~-~~ maturity securities would be higher. Conversely, if interest rates decline, the fair value of our fixed ~~-~~ maturity securities would be positively impacted **,** and investment income earned from future investments in fixed maturity securities will be lower. Some fixed maturity securities, such as mortgage- backed and other asset- backed securities, also carry prepayment risk as a result of interest rate fluctuations. In low interest rate environments, we may not be able to successfully reinvest the proceeds from maturing securities at yields commensurate with our target performance goals. The value of investments in fixed maturity securities is subject to impairment as a result of deterioration in the credit worthiness of the issuer, default by the issuer (including states and municipalities) in the performance of its obligations in respect of the securities and / or increases in market interest rates. To a large degree, the credit risk we face is a function of the economy; accordingly, we face a greater risk in an economic downturn or recession. During periods of market disruption, it may be difficult to value certain of our securities, particularly if trading becomes less frequent and / or market data becomes less observable. There may be certain asset classes that were in active markets with significant observable data that become illiquid due to the then current financial environment. In such cases, more securities may require additional subjectivity and management judgment. Although the historical rates of default on state and municipal securities have been relatively low, our state and municipal fixed maturity securities could be subject to a higher risk of default or impairment due to declining municipal tax bases and revenue. Many states and municipalities operate under deficits or projected deficits, the severity and duration of which could have an adverse impact on both the valuation of our state and municipal fixed maturity securities and the issuer' s ability to perform its obligations thereunder. Additionally, our investments are subject to losses as a result of a general decrease in commercial and economic activity for an industry sector in which we invest, as well as risks inherent in particular securities. Although we attempt to manage these risks through the use of investment guidelines and other oversight mechanisms and by diversifying our portfolio and emphasizing preservation of principal, our efforts may not be successful. Impairments, defaults and / or rate increases could reduce our net investment income **or** ~~and net~~ realized **and unrealized** investment gains or result in investment losses. Investment returns are currently, and will likely continue to ~~remain~~ **be** , **impacted by** ~~under pressure due to~~ economic uncertainty, more generally, and the shape of the yield curve. As a result, our exposure to the risks described above could materially and adversely affect our results of operations, liquidity and financial condition. We have invested a portion of our assets in equity securities, merger arbitrage securities, investment funds, private equity, loans and real estate related assets, which are subject to significant volatility and may decline in value. We invest a portion of our investment portfolio in equity securities, merger arbitrage securities, investment funds, private equity, loans and real estate related assets. At December 31, ~~2022~~ **2023** , our investment in these assets was approximately $ 5. ~~3~~ **1** billion, or ~~21~~ **19** . ~~6~~ **1** %, of our investment portfolio, including cash and cash equivalents. Merger and arbitrage trading securities were $ 0. 9 billion, or 3. ~~9~~ **5** % of our investment portfolio, including cash and cash equivalents at December 31, ~~2022~~ **2023** . Merger arbitrage involves investing in the securities of publicly held companies that are the targets in announced tender offers and mergers. Merger arbitrage differs from other types of investments in its focus on transactions and events believed likely to bring about a change in value over a relatively short time period, usually four months or less. Our merger arbitrage positions are exposed to the risk associated with the completion of announced deals, which are subject to regulatory as well as political and other risks. Real estate related investments, including directly owned, investment funds and loans receivable, were $ 1. 7 billion, or ~~7~~ **6** . ~~1~~ **2** % of our investment portfolio, including cash and cash equivalents, at December 31, ~~2022~~ **2023** . We also invest in real estate, financial services, energy, transportation and other investment funds. The values of these investments are subject to fluctuation based on changes in the economy and interest rates in general and the related asset valuations in particular. In addition, our investments in real estate related assets and other alternative investments are less liquid than our other investments. These investments are subject to significant volatility as a result of the conditions in the financial and commodity markets and the global economy. Risks Relating to Limitations on Dividends from Subsidiaries and Anti- Takeover Provisions We are an insurance holding company and, therefore, may not be able to receive dividends in needed amounts. As an insurance holding company, our principal assets are the shares of capital stock of our insurance company subsidiaries. We have to rely on dividends from our insurance company subsidiaries to meet our obligations for paying principal and interest on outstanding debt obligations, paying dividends to stockholders and repurchasing our shares and paying corporate expenses. The payment of dividends by our insurance company subsidiaries is subject to regulatory restrictions and competitive pressures on maintaining financial strength ratings and will depend on the surplus and future earnings of these subsidiaries. During ~~2023~~ **2024** , the maximum amount of dividends that can be paid without regulatory approval is approximately $ 1. 2 billion. Future regulatory actions could further restrict our insurance subsidiaries’ ability to pay us dividends. As a result, in the future we may not be able to receive dividends from these subsidiaries at times and in amounts necessary to meet our obligations, pay dividends or repurchase shares. Laws and regulations of the jurisdictions in which we conduct business could delay, deter or prevent an attempt to acquire control of us that stockholders might consider to be desirable, and may restrict a stockholder' s ability to purchase our common stock. Generally, United States insurance holding company laws require that, before a person can acquire control of an insurance company, prior written approval must be obtained from the insurance regulatory authority in the state in which that insurance company is domiciled. Pursuant to applicable laws and regulations, “ control ” over an insurer is generally presumed to exist if any person, directly or indirectly, owns, controls, holds the power to vote, or holds proxies representing 10 % or more of the voting securities of that insurer or any parent company of such insurer. Indirect ownership includes ownership of the shares of our common stock. Thus, the insurance regulatory authorities of the states in which our insurance subsidiaries are domiciled are likely to apply these restrictions on acquisition of control to any proposed acquisition of our common stock. Some states require a person seeking to acquire control of an insurer licensed but not domiciled in that state to make a filing prior to completing an acquisition if the acquirer and its affiliates, on the one hand, and the target insurer and its affiliates, on the other hand, have specified market shares in the same lines of insurance in that state. Additionally, many foreign jurisdictions where we conduct business impose similar restrictions and requirements. These provisions can also lead to the imposition of conditions on an acquisition that could delay or prevent its consummation. These laws may discourage potential acquisition proposals and may delay, deter or prevent a change in control of us through transactions, and in particular unsolicited transactions, that some or all of our stockholders might consider to be desirable. Certain provisions in our organizational documents may have the effect of hindering, delaying or preventing third party takeovers and thus may prevent our stockholders from receiving premium prices for their shares in an unsolicited takeover or make it more difficult for third parties to replace our current management. Provisions of our Restated Certificate of Incorporation and By- Laws, as well as state insurance statutes, may hinder, delay or prevent unsolicited acquisitions or changes of our control. These provisions may also have the effect of making it more difficult for third parties to cause the replacement of our current management without the concurrence of our ~~board~~ **Board** of ~~directors~~ **Directors** . These provisions include: • our classified board of directors and the ability of our board to increase its size and to appoint directors to fill newly created directorships; • the requirement that the holders of 80 % of our shares must approve mergers and other transactions between us and the holder of 5 % or more of our shares, unless the transaction was approved by our board of directors prior to such holder' s acquisition of 5 % of our shares; and • the need for advance notice in order to raise business or make nominations at stockholders' meetings. These provisions may discourage potential acquisition proposals and may delay, deter or prevent a change in control of us through transactions, and in particular unsolicited transactions, that some or all of our stockholders might consider to be desirable.