

# **BIGLARI REINSURANCE LTD.**

**2024 Audited Consolidated Financial Statements**

**TABLE OF CONTENTS**

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INDEPENDENT AUDITOR'S REPORT.....1  
CONSOLIDATED BALANCE SHEET .....3  
CONSOLIDATED STATEMENT OF INCOME.....4  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY .....5  
CONSOLIDATED STATEMENT OF CASHFLOWS.....6  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.....8



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## INDEPENDENT AUDITOR'S REPORT

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To the Audit Committee of Biglari Reinsurance Ltd.

### Opinion

We have audited the consolidated financial statements of Biglari Reinsurance Ltd. and subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2024, and the related consolidated statements of income, changes in shareholder's equity and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Emphasis of Matters

As discussed in Notes 1 and 2 to the financial statements, the accompanying financial statements include the effects of a transaction executed with a related party effective July 2, 2024, which has been accounted for as a business combination between entities under common control. The financial statements report the results of operations for the year ended December 31, 2024 on a combined basis as though the transaction had occurred at the beginning of the year.

As discussed in Notes 2 and 5 to the financial statements, the Company records the investment partnerships as equity-method investments inclusive of the investments made by the investment partnerships in the shares of the Company's ultimate parent, Biglari Holdings, Inc.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Deloitte & Touche LLP*

April 30, 2025

**BIGLARI REINSURANCE LTD.**  
**CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2024**

*(Expressed in '000 U.S. Dollars)*

	Notes	2024
<b>ASSETS</b>		
Fixed maturity investments, trading at fair value (amortized cost: 2024 - \$37,630)		\$ 37,463
Equity investments, at fair value		36,525
Short-term investments, at fair value (amortized cost: 2024 - \$21,376)		21,397
Total investments	3	95,385
Investment partnerships	5	403,381
Cash and cash equivalents		18,880
Insurance and reinsurance balances receivable		7,144
Reinsurance recoverable on paid and unpaid losses	6	778
Deferred acquisition costs		394
Income tax receivable		1,184
Property and equipment		5,945
Other assets		2,171
<b>TOTAL ASSETS</b>		<b>\$ 535,262</b>
<b>LIABILITIES</b>		
Reserves for loss and loss adjustment expenses	6	\$ 18,028
Unearned premium reserve		16,919
Insurance and reinsurance payables		2,792
Deferred tax liability, net	10	20,253
Other liabilities		1,667
<b>TOTAL LIABILITIES</b>		<b>59,659</b>
<b>SHAREHOLDER'S EQUITY</b>		
Common shares	8	—
Additional paid-in capital		335,425
Retained earnings		140,178
<b>TOTAL SHAREHOLDER'S EQUITY</b>		<b>475,603</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>\$ 535,262</b>

*See accompanying notes to the consolidated financial statements.*

**BIGLARI REINSURANCE LTD.**  
**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

*(Expressed in '000 U.S. Dollars)*

	Note	2024
<b>REVENUES</b>		
Gross premiums written		\$ 71,498
Premiums ceded		(3,104)
Net premiums written	7	<u>68,394</u>
Earned premiums		68,913
Earned premiums ceded		(3,104)
Net premiums earned	7	65,809
Net investment income	3	3,614
Investment partnerships net investment income (expense)	5	(6)
Investment net realized and unrealized gains (losses)	3	385
Investment partnerships net realized and unrealized gains(losses)	5	94,195
Other income		1,594
<b>TOTAL REVENUES</b>		<u><b>165,591</b></u>
<b>LOSSES AND EXPENSES</b>		
Net loss and loss adjustment expenses	7	43,643
Acquisition costs		3,536
Other underwriting expense		14,776
<b>TOTAL LOSSES AND EXPENSES</b>		<u><b>61,955</b></u>
<b>INCOME BEFORE TAXES</b>		<b>103,636</b>
Income tax expense	10	(21,530)
<b>NET INCOME</b>		<u><b>\$ 82,106</b></u>

*See accompanying notes to the consolidated financial statements.*

**BIGLARI REINSURANCE LTD.**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

*(Expressed in '000 U.S. Dollars)*

	Note	2024
<b>COMMON SHARES</b>		
Balance at beginning of year		\$ —
Common shares issued	8	—
Balance at end of year		<u>—</u>
<b>ADDITIONAL PAID IN CAPITAL</b>		
Balance at beginning of year		—
Contribution in year	8	335,425
Balance at end of year		<u>335,425</u>
<b>RETAINED EARNINGS</b>		
Balance at beginning of year		65,072
Dividend paid		(7,000)
Net income (loss)		82,106
Balance at end of year		<u>140,178</u>
<b>TOTAL SHAREHOLDER'S EQUITY</b>		<u><u>\$ 475,603</u></u>

*See accompanying notes to the consolidated financial statements.*

**BIGLARI REINSURANCE LTD.**  
**CONSOLIDATED STATEMENT OF CASHFLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

*(Expressed in '000 U.S. Dollars)*

	<b>2024</b>
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>	
Net income (loss)	\$ 82,106
Adjustments to reconcile net income to net cash provided by operating activities:	
Net realized and unrealized (gains) losses on investments	(385)
Net realized and unrealized (gains) on investment partnerships	(94,195)
Net amortization (accretion) of fixed maturity and short-term investments	236
Depreciation of fixed assets	330
Changes in:	
Insurance and reinsurance balances receivables	(2,264)
Reinsurance recoverable	416
Deferred acquisition costs	(394)
Income tax receivable	(1,502)
Other assets	(56)
Reserve for loss and loss adjustment expenses	1,668
Unearned premiums	2,585
Insurance and reinsurance balances payable	(1,555)
Deferred tax liability, net	20,813
Other liabilities	483
<b>Net cash provided by operating activities</b>	<b>8,286</b>
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>	
Sales and redemptions of fixed maturity and short-term investments	53,441
Purchase of fixed maturity and short-term investments	(48,268)
Purchase of equity investments	(13,858)
Purchase of interest in limited partnerships	(2,122)
Purchase of property and equipment	(139)
<b>Net cash used in investing activities</b>	<b>(10,946)</b>
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>	
Additional paid-in capital	10,352
Dividend paid	(7,000)
<b>Net cash used in financing activities</b>	<b>3,352</b>
Increase in cash and cash equivalents	692
Cash and cash equivalents - beginning of year	18,188
<b>Cash and cash equivalents - end of year</b>	<b>\$ 18,880</b>

*See accompanying notes to the consolidated financial statements.*

**BIGLARI REINSURANCE LTD.  
CONSOLIDATED STATEMENT OF CASHFLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2024**

*(Expressed in '000 U.S. Dollars)*

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	<b>2024</b>
<b>Supplemental schedule of non-cash investing and financing activities:</b>	
Capital contribution of investment partnership interests, and subsidiaries' capital and additional paid-up capital	\$ 325,073

**BIGLARI REINSURANCE LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(Expressed in '000 U.S. Dollars, except share data)*

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**1. History and principal operations**

Biglari Reinsurance Ltd. (“Biglari Reinsurance”, or the “Company”), a Bermuda exempted company was incorporated on August 17, 2023, with limited liability under the Companies Act 1981, as amended. It is a wholly owned subsidiary of Biglari Insurance Group Inc. (“Parent”), a Delaware incorporated company, which in turn is a wholly owned subsidiary of Biglari Holdings Inc. (“Biglari Holdings”). Biglari Holdings is founded and led by Sardar Biglari, Chairman and Chief Executive Officer of Biglari Holdings. As of December 31, 2024, Mr. Biglari beneficially owns shares of Biglari Holdings that represent approximately 74.3% of the voting interest.

The Company is registered as a Class 3B reinsurer under the Insurance Act 1978 of Bermuda, amendments thereto and related regulations (the “Insurance Act”).

Effective July 2, 2024, Biglari Reinsurance Ltd. became the owner of 100% of the issued share capital of Southern Pioneer Property and Casualty Insurance Company (“Southern Pioneer”), First Guard Insurance Company (“First Guard”), and 1st Guard Corporation. Southern Pioneer underwrites garage liability and commercial property as well as homeowners and dwelling fire insurance on an admitted basis. First Guard is a direct underwriter of commercial truck insurance, primarily selling physical damage and non-trucking liability insurance to truckers. The Company entered a quota share reinsurance agreement with its insurance subsidiaries on December 1, 2024.

The Company’s subsidiaries First Guard, 1<sup>st</sup> Guard Corporation, and Southern Pioneer, and its subsidiary, Southern Pioneer Insurance Agency, Inc., are included in the consolidated financial statements (collectively the “Biglari Insurance Group”).

**2. Significant accounting policies**

**Basis of Presentation and Consolidation**

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). The transaction described in Note 1 qualified as a business combination between entities under common control. Accounting for such transactions is addressed within Financial Accounting Standards Board Accounting Standards Codification 805-50, Business Combinations - Related Issues, under the “Transactions Between Entities Under Common Control” subsections. The net assets transferred to the Company in connection with the transaction were initially recognized and recorded at the historical cost of the net assets. These financial statements report the results of operations for the year ended December 31, 2024, as though the capital contribution transaction had occurred at the beginning of the year. Similarly, the Company has presented the 2024 statement of shareholders’ equity, and other financial information as of January 1, 2024, as though the transaction had occurred at that date. Inter-company balances and transactions have been eliminated in consolidation.

**Use of Estimates**

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and

**BIGLARI REINSURANCE LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(Expressed in '000 U.S. Dollars, except share data)*

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expenses during the reporting period. While management believes that the amounts included in the consolidated financial statements reflect its best estimates and assumptions, actual results could differ from those estimates. The Company's principal estimates include, but are not limited to:

- reserve for losses and loss adjustment expenses
- gross and net premiums written and earned
- fair value measurements for financial assets

Significant accounting policies are as follows:

**Investments and investment income**

***Fixed maturity investment***

The Company's investments in fixed maturity securities are classified as trading and are carried at fair value, with related unrealized gains and losses recorded in net realized and unrealized gains (losses) included in the consolidated statement of income.

The fair values of the Company's fixed maturity investments are based on quoted market prices. Investment transactions are recorded on a trade date basis with balances pending settlement recorded as receivable for securities sold or payable for securities purchased.

Realized gains and losses on sales of fixed maturity investments are determined based on the specific identification method.

***Short-term investments***

Short-term investments primarily comprise highly liquid debt securities with maturities greater than three months but less than one year from the date of purchase and are carried at fair value, with related unrealized gains and losses recorded in net realized and unrealized gains (losses) included in the consolidated statement of income.

***Net investment income***

Net investment income is recorded when earned and includes interest income, dividends, investment fees, and the amortization of premiums and accretion of discounts on investments. The amortization of premium and accretion of discount is computed using the effective interest rate method.

**Investment Partnerships**

The Company and Southern Pioneer hold limited partnership interests in The Lion Fund, L.P. and First Guard and Southern Pioneer hold limited partnership interests in The Lion Fund II, L.P. (the two limited partnerships collectively are referred to as the "Investment Partnerships"). Biglari Capital Corp., an entity solely owned by Mr. Biglari, is the general partner of the Investment Partnerships. The Investment Partnerships invest in the stock of Biglari Holdings and are recorded as investments within the Investment Partnerships for the Company as the Company does not represent a significant portion of the Biglari Holdings total assets or operations. The interests in the Investment Partnerships are accounted for as equity method investments because of their retained limited partner interests. The Biglari Insurance Group records the Investment Partnerships' gains (inclusive of the Investment Partnerships' unrealized gains and losses on their securities) in the income statement based on the proportional ownership interest in the partnerships. Interest and dividend income earned and other expenses from the Biglari Insurance Group's Investment Partnerships are included in Investment Partnership net investment income. The Investment Partnerships are, for purposes of generally accepted accounting principles ("GAAP"), investment companies under the AICPA Audit and Accounting Guide: Investment Companies.

**BIGLARI REINSURANCE LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(Expressed in '000 U.S. Dollars, except share data)*

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**Cash and Cash Equivalents**

Cash equivalents include money-market funds and fixed interest deposits with a maturity of less than three months when purchased.

**Premiums**

Direct insurance premiums are recognized as earned on a pro rata basis over the applicable policy or contract periods. Premiums may include estimates based on information received from brokers and insureds, and any subsequent differences from such estimates are recorded in the period in which they are determined. In each case, the portions of the premiums written applicable to the unexpired terms are recorded as unearned premiums.

**Acquisition costs**

Acquisition costs comprise commissions, premium taxes and an allocation of other variable policy issuances and underwriting expenses, which relate directly to the production of the business. Such costs are deferred on the balance sheet and included in the expenses on pro-rata basis over the contract period.

**Losses and loss adjustment expenses**

Reserves for losses and loss adjustment expenses represent an estimate of the unpaid portion of the ultimate liability for losses and loss expenses for insured and reinsured events that have occurred at or before the balance sheet date. The balance reflects both claims that have been reported ("case reserves") and claims that have been incurred but not yet reported ("IBNR"). These amounts are reduced for estimated amounts of salvage and subrogation recoveries.

Case reserves are primarily established based on amounts reported by insureds and/or their brokers. Any adjustments to previous reserve for losses and loss expenses estimates are recognized in the period they are determined. While the Company and its subsidiaries believe that its reserves for losses and loss expenses are adequate, this estimate requires significant judgment and new information, events or circumstances may result in ultimate losses that are materially greater or less than provided for in the consolidated balance sheets.

**Reinsurance**

Reinsurance recoverable related to case reserves is estimated on a case-by-case basis by applying the terms of any applicable reinsurance coverage to individual case reserve estimates. The estimate of reinsurance recoverable related to IBNR reserves is generally developed as part of the loss reserving process.

**Property and equipment**

Property and equipment are stated at cost less accumulated depreciation. Depreciation is recognized on the straight-line method over the estimated useful lives of the assets (15 to 39 years for buildings and land improvements, and 3 to 7 years for equipment). Major improvements to property are also capitalized, while repairs and maintenance are expensed. Property and equipment are assessed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

**Income taxes**

Current and deferred income taxes are charged or credited to net income based upon enacted tax laws and rates applicable in the relevant jurisdiction in the period in which the tax becomes accruable or realizable. Deferred income taxes are provided for all temporary differences between the bases of assets and liabilities used in the consolidated balance sheets and those used in the various jurisdictional tax returns. When the assessment indicates that it is more likely than not that a portion of a deferred tax asset will not be realized in the foreseeable future, a valuation allowance against deferred tax assets is recorded. The Biglari Insurance Group recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained upon audit by the relevant taxing authorities

**BIGLARI REINSURANCE LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(Expressed in '000 U.S. Dollars, except share data)*

**Issued accounting standards not yet adopted**

In December 2023, the FASB issued ASU No. 2023-09, Improvements to Income Tax Disclosures ("ASU 2023-09"). ASU 2023-09 enhances income tax disclosure by, amongst other things, requiring companies to provide qualitative disclosure of the nature and the effect of significant reconciling items by specific categories and individual jurisdictions and additional disclosure about income taxes paid. ASU 2023-09 will be effective for non-public companies for annual periods beginning after December 15, 2025. The Company is currently evaluating the impact of this guidance.

**3. Investments**

Fixed maturity investments, trading

The amortized cost, gross unrealized gains and losses and fair value of fixed maturity investments as of December 31, 2024, are as follows:

	<u>Amortized Cost</u>	<u>Unrealized gains</u>	<u>Unrealized losses</u>	<u>Fair value</u>
U.S. government securities	\$ 30,739	\$ 136	\$ (110)	\$ 30,765
Municipal securities	5,392	—	(106)	5,286
Corporate securities	790	—	(40)	750
Certificates of deposit	709	—	(47)	662
Total fixed maturity investments	<u>37,630</u>	<u>136</u>	<u>(303)</u>	<u>37,463</u>
Short-term investments	<u>21,376</u>	<u>24</u>	<u>(3)</u>	<u>21,397</u>
	<u>\$ 59,006</u>	<u>\$ 160</u>	<u>\$ (306)</u>	<u>\$ 58,860</u>

The contractual maturities of fixed maturities are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<u>December 31, 2024</u>	
	<u>Amortized cost</u>	<u>Fair value</u>
Due in one year or less	\$ 50,497	\$ 50,562
Due after one year through five years	8,424	8,217
Due after five years through ten years	85	81
Due after ten years	—	—
<b>Total fixed maturity investments</b>	<u>\$ 59,006</u>	<u>\$ 58,860</u>

**BIGLARI REINSURANCE LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(Expressed in '000 U.S. Dollars, except share data)*

Equity investments

The following table summarizes the fair value of equity investments

	<b>2024</b>
Consumer	\$ 17,918
Restaurants	13,328
Technology	5,279
<b>Total equities</b>	<b>\$ 36,525</b>

**Investment net realized and unrealized gains (losses)**

The following represents an analysis of net realized and unrealized gains (losses) on investments for the year ended December 31, 2024:

	<b>2024</b>
Net realized gains (losses) on sale:	
Realized gains (losses) on investments	\$ (54)
Total net realized gains (losses) on investments	(54)
Net unrealized gains (losses):	
Unrealized gains (losses) on investments	439
Total net unrealized gains (losses) on investments	439
<b>Investment net realized and unrealized gains (losses)</b>	<b>\$ 385</b>

**Net Investment Income**

Net investment income for the year ended December 31, 2024, was derived from the following sources:

	<b>2024</b>
Fixed maturity investment	\$ 1,515
Equity investments	584
Short-term investments	1,375
Cash and cash equivalents	235
Total gross investment income	3,709
Investment expenses	(95)
<b>Net investment income</b>	<b>\$ 3,614</b>

**BIGLARI REINSURANCE LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(Expressed in '000 U.S. Dollars, except share data)*

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**4. Fair value measurement**

**Fair value hierarchy**

Fair value is defined as the price to sell an asset or transfer a liability (i.e. the "exit price") in an orderly transaction between market participants. U.S. GAAP prescribes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. The level in the hierarchy within which a given fair value measurement falls is determined based on the lowest level input that is significant to the measurement. The hierarchy is broken down into three levels as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the company has the ability to access.

Level 2 - Valuations based on quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in inactive markets, or for which significant inputs are observable (e.g. interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The unobservable inputs reflect the company's own judgments about assumptions that market participants might use.

The availability of observable inputs can vary from financial instrument to financial instrument and is affected by a wide variety of factors including, for example, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment.

Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This may lead the company to change the selection of its valuation technique (from market to cash flow approach) or may cause it to use multiple valuation techniques to estimate the fair value of a financial instrument. This circumstance could cause an instrument to be reclassified between levels within the fair value hierarchy.

**Valuation techniques**

The valuation techniques, including significant inputs and assumptions generally used to determine the fair values of the Biglari Insurance Group's financial instruments as well as the classification of the fair values of its financial instruments in the fair value hierarchy are described in detail below.

**Fixed maturity investments**

At each valuation date, the market approach valuation technique is used to estimate the fair value of the Biglari Insurance Group's fixed maturities portfolio, when possible. This market approach includes, but is not limited to, prices obtained from third party pricing services for identical or comparable securities and the use of "pricing matrix models" using observable market inputs such as yield curves, credit risks and spreads, measures of volatility, and prepayment speeds.

## **BIGLARI REINSURANCE LTD.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(Expressed in '000 U.S. Dollars, except share data)*

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Pricing from third party pricing services is sourced from multiple vendors, when available, and a vendor hierarchy is maintained by asset type based on historical pricing experience and vendor expertise. When prices are unavailable from pricing services, non-binding quotes are obtained from broker-dealers who are active in the corresponding markets. The valuation techniques including significant inputs generally used to determine the fair values of the Biglari Insurance Group's fixed maturities by asset class as well as the classifications of the fair values of these securities in the fair value hierarchy are described in detail below.

#### U.S. government securities

U.S. government and agency securities consist of bonds issued by the U.S. Treasury. As the fair values of U.S. Treasury securities are based on unadjusted market prices in active markets, the fair values of these securities are classified as Level 1. The fair values of U.S. government agency securities are determined using the spread above the risk-free yield curve.

#### Municipal securities

Municipal securities comprise revenue and general obligation bonds issued by U.S. domiciled state and municipal entities. The fair values of these securities are determined using spreads obtained from the new issue market, trade prices and broker-dealers' quotes. As the significant inputs used to price these securities are observable market inputs, the fair values of municipal securities are classified as Level 2.

#### Corporate securities

Corporate securities comprise bonds issued by U.S. domiciled publicly traded companies. The fair values of these securities are determined using spreads obtained from trade prices and broker-dealers' quotes. As the significant inputs used to price these securities are observable market inputs, the fair values of municipal securities are classified as Level 2.

#### Certificates of deposit

Certificates of deposits are monies held at fixed interest rate and term at financial institutions. The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities. These rates are generally obtained from the new issue market, secondary trading and broker-dealer quotes. As these rates are observable market inputs, the fair values of certificates of deposits are classified as Level 1.

#### ***Equity investments***

The Company's and its subsidiaries' portfolio of equity investments consist of publicly traded common stocks. These securities are primarily priced by pricing services, reflecting the closing price quoted for the final trading day of the period. When pricing these securities, the pricing services utilize daily data from many real time market sources, including applicable securities exchanges. All data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source was used for each security. As these pricings are based on observable market inputs, the fair values of equities are classified as Level 1

#### ***Short-term investments***

Short-term investments primarily comprise of U.S. Treasury Bills with maturities greater than three months but less than one year from the date of purchase. As the fair values of U.S. Treasury securities are based on unadjusted market prices in active markets, the fair values of these securities are classified as Level 1.

**BIGLARI REINSURANCE LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS***(Expressed in '000 U.S. Dollars, except share data)*

The tables below present the financial instruments measured at fair value on a recurring basis on December 31, 2024.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
U.S government securities	\$ 30,765	\$ -	\$ -	\$ 30,765
Municipal securities	-	5,286	-	5,286
Corporate securities	-	750	-	750
Certificates of deposit	662	-	-	662
Total fixed maturity investments	31,427	6,036	-	37,463
Short-term investments	21,397	-	-	21,397
Equities	36,525	-	-	36,525
	<b>\$ 89,349</b>	<b>\$ 6,036</b>	<b>\$ -</b>	<b>\$ 95,385</b>

**Financial instruments disclosed, but not carried, at fair value**

The Company uses various financial instruments in the normal course of its business. The Company's insurance contracts are excluded from the fair value of financial instruments accounting guidance, unless the Company elects the fair value option. The carrying values of cash and cash equivalents, other assets, payables other liabilities, and other financial instruments not included herein approximate their fair values.

**5. Investment partnerships**

The Investment Partnerships hold publicly traded common stocks as investments, including shares in Biglari Reinsurance's ultimate parent, Biglari Holdings. As of December 31, 2024, the Biglari Insurance Group's pro-rata share of common stocks and Biglari Holdings stock held in the Lion Fund, L.P. and Lion Fund II, L.P., are as follows:

	<b>Lion Fund, L.P.</b>	<b>Lion Fund II, L.P.</b>	<b>Total</b>
Biglari Reinsurance Ltd.	\$ 393,318	\$ -	\$ 393,318
Southern Pioneer Property & Casualty Insurance Company	4,450	3,852	8,302
First Guard Insurance Company	-	1,761	1,761
<b>Biglari Insurance Group's total capital in the funds</b>	<b>\$ 397,768</b>	<b>\$ 5,613</b>	<b>\$ 403,381</b>
Total capital in the funds	\$ 546,778	\$ 179,427	726,205
Biglari Insurance Group's ownership percentage in the funds	72.75%	3.13%	
Value of Biglari Holdings stock in the funds	499,537	-	499,537
Biglari Insurance Group's proportional ownership value of Biglari Holdings common stock in the funds	363,401	-	363,401
Biglari Insurance Group's proportional ownership value of unaffiliated common stocks in the funds	34,367	5,613	39,980

**BIGLARI REINSURANCE LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(Expressed in '000 U.S. Dollars, except share data)*

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Biglari Insurance Group's share of Investment Partnerships dividend and interest earned and other expenses, and realized and unrealized gains and losses were as follows:

	<b>2024</b>
Unrealized gains (losses)	100,124
Realized gains (losses)	(5,929)
Interest, dividends and other expenses	(6)
	<b>\$ 94,189</b>

**6. Reserves for loss and loss adjustment expenses**

**Reserving Methodology**

Loss reserves represent management's estimate of the unpaid portion of the ultimate liability for losses and loss expenses for events that have occurred at or before the balance sheet date. The reserves are estimated on an undiscounted basis.

The process of establishing loss reserves is complex and subject to considerable variability, as it requires the use of judgment to make informed estimates. These estimates are based on numerous factors and may be revised as additional experience and other data become available and are reviewed. Loss reserves are categorized into two types:

- Case reserves - reserves for reported losses and loss expenses that have not yet been settled; and
- IBNR reserves - reserves for incurred but not reported losses or the ultimate liability for losses and loss expenses less amounts paid or otherwise reported within case reserves.

For all case and IBNR reserves, net of reinsurance reserves is estimated by first estimating gross of reinsurance reserves, then estimating reinsurance recoverables.

**Case reserves**

For insurance contracts, the Company and its subsidiaries are generally notified of insured losses by the insureds and/or their brokers. Based on this information, Biglari Insurance Group's claims personnel estimate the ultimate losses arising from the claim, including the cost of administering the claims settlement process. These estimates reflect the judgment of the Biglari Insurance Group's claims personnel based on general reserving practices, the experience and knowledge of such personnel regarding the nature of the specific claim and, where appropriate, the advice of legal counsel, loss adjusters and other relevant consultants.

**IBNR reserves**

IBNR reserves represent management's best estimate, at a given point in time, of the amount in excess of case reserves that is needed for the future settlement and loss adjustment costs associated with claims incurred and also for the future settlement of any incurred but not reported claims. The estimation of IBNR reserves is necessary due to the time lags between when a loss event occurs and when it is actually reported to the Company and its subsidiaries, referred to as the reporting lag. Reporting lags may arise from several factors, including but not limited to the nature of the loss, the use of intermediaries and complexities in the claims adjusting process.

**BIGLARI REINSURANCE LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(Expressed in '000 U.S. Dollars, except share data)*

**Reserve Roll-Forward**

The following table presents a reconciliation of the beginning and ending gross reserve for losses and loss expenses and net reserve for losses and loss expenses for the year ended December 31, 2024:

	<b>2024</b>
Gross reserves for losses and loss adjustment expenses, beginning of year <sup>(1)</sup>	\$ 16,105
Less: reinsurance recoverable balances, beginning of year <sup>(1)</sup>	(937)
Net reserves for losses and loss adjustment expenses, beginning of year <sup>(1)</sup>	15,168
Increase in net losses and loss adjustment expenses incurred in respect of losses occurring in:	
Current year	45,445
Prior years	(1,802)
Total incurred losses and loss adjustment expenses	43,643
Less: net losses and loss adjustment expenses paid in respect of losses occurring in:	
Current year	35,052
Prior years	6,509
Total net paid losses	41,561
Net reserve for losses and loss adjustment expenses, end of year	17,250
Add: reinsurance recoverable balances, end of year	778
Gross reserve for losses and loss adjustment expenses, end of year	<b>\$ 18,028</b>

(1) Beginning of the year balances relate to transfers at acquisition and consolidated under common ownership

**Prior year development of net incurred losses and loss adjustment expenses**

For the year ended December 31, 2024, Biglari Insurance Group recorded \$1,802 of net favorable prior years reserve development primarily related to reduction in loss estimates in the 2023 accident year, and better than expected loss emergence in the non-trucking and garage product lines.

**BIGLARI REINSURANCE LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS***(Expressed in '000 U.S. Dollars, except share data)***Net incurred and paid claims development tables by accident year**

The following information presents the incurred and paid claims information as of December 31, 2024, net of reinsurance, as well as cumulative claim frequency and total IBNR reserves by accident year. The information about incurred and paid claims development presented for the years ended December 31, 2017, to December 31, 2024, is presented as supplementary information.

**Consolidated****Incurred losses and loss adjustment expenses, net of reinsurance through December 31, 2024**

Accident Year	2017 *	2018*	2019 *	2020 *	2021*	2022*	2023*	2024	IBNR and Case Development Liabilities	Cumulative No. of Reported Claims
2017	\$ 29,627	\$28,778	\$28,895	\$28,537	\$28,189	\$28,213	\$28,171	\$ 28,196	\$ 186	\$ 3,315
2018		26,576	26,650	26,455	26,385	26,328	26,194	26,187	109	3,359
2019			27,331	26,746	26,444	26,325	25,972	25,223	11	3,127
2020				26,415	25,118	24,305	23,804	23,827	56	3,088
2021					26,555	26,527	26,267	26,597	693	3,196
2022						34,356	32,137	31,674	1,886	3,174
2023							35,450	34,695	3,577	3,283
2024								41,225	9,782	4,066
								<u>\$ 237,624</u>	<u>\$ 16,300</u>	

**Cumulative paid losses and loss adjustment expenses, net of reinsurance through December 31, 2024**

Cumulative paid claims and allocated paid claim adjustments									
Accident Year	2017 *	2018*	2019 *	2020 *	2021*	2022*	2023*	2024	
2017	\$ 22,293	\$25,491	\$26,991	\$27,584	\$27,815	\$27,990	\$27,992	\$ 28,010	
2018		20,246	23,796	24,844	25,589	25,974	26,049	26,078	
2019			20,755	23,787	24,647	25,357	25,831	25,212	
2020				20,481	22,614	23,386	23,481	23,771	
2021					19,649	22,800	24,393	25,904	
2022						24,775	28,738	29,788	
2023							27,252	31,118	
2024								31,443	
								<u>221,324</u>	
								incurred less paid	16,300
								unpaid loss adjustment expenses	950
								loss and LAE reserves	<u>\$ 17,250</u>

\*Unaudited required supplemental information

**BIGLARI REINSURANCE LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(Expressed in '000 U.S. Dollars, except share data)*

The following table reconciles the net reserve for losses and loss expenses derived from the incurred and paid loss development triangles to the reserve for losses and loss expenses in the consolidated balance sheet as of December 31, 2024:

	<u>2024</u>
Total claims incurred and allocated loss and loss adjustment expenses, net of reinsurance	\$ 237,624
Less: Cumulative paid claims and loss adjustment expenses, net of reinsurance	(221,324)
All outstanding liabilities before 2017, net of reinsurance	16,300
Unallocated claims adjustment expenses and other	950
	<u>\$ 17,250</u>

**Property**

**Incurred losses and loss adjustment expenses, net of reinsurance through December 31, 2024**

Accident Year	2017 *	2018*	2019 *	2020 *	2021*	2022*	2023*	2024	IBNR and Case Development Liabilities	Cumulative No. of Reported Claims
2017	\$ 7,578	\$ 7,355	\$ 7,421	\$ 7,375	\$ 7,292	\$ 7,293	\$ 7,287	\$ 7,289	\$ 19	\$ 1,044
2018		7,446	7,284	7,220	7,210	7,205	7,191	7,191	11	1,049
2019			8,038	7,645	7,593	7,579	7,543	7,475	1	1,036
2020				7,506	7,145	7,026	6,934	6,990	4	1,061
2021					7,769	7,586	7,589	7,598	70	1,122
2022						10,316	9,554	9,469	184	1,129
2023							10,299	9,821	354	1,104
2024								12,832	2,121	1,382
								<u>\$ 68,665</u>	<u>\$ 2,763</u>	

**Cumulative paid losses and loss adjustment expenses, net of reinsurance through December 31, 2024**

Accident Year	2017 *	2018*	2019 *	2020 *	2021*	2022*	2023*	2024
2017	\$ 6,443	\$ 7,022	\$ 7,164	\$ 7,237	\$ 7,255	\$ 7,271	\$ 7,269	\$ 7,271
2018		6,484	6,968	7,054	7,134	7,169	7,177	7,180
2019			6,856	7,345	7,402	7,473	7,529	7,474
2020				6,443	6,769	6,889	6,899	6,986
2021					6,603	7,205	7,373	7,528
2022						8,383	9,124	9,285
2023							8,660	9,467
2024								10,711
								<u>\$ 65,902</u>
							incurred less paid	2,763
							unpaid loss adjustment expenses	373
							loss and LAE reserves	<u>\$ 3,136</u>

\*Unaudited required supplemental information

**BIGLARI REINSURANCE LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(Expressed in '000 U.S. Dollars, except share data)*

**Casualty**

**Incurred losses and loss adjustment expenses, net of reinsurance through December 31, 2024**

Accident Year	2017 *	2018*	2019 *	2020 *	2021*	2022*	2023*	2024	IBNR and Case Development Liabilities	Cumulative No. of Reported Claims
2017	\$ 21,322	\$ 20,716	\$ 20,769	\$ 20,472	\$ 20,216	\$ 20,238	\$ 20,204	\$ 20,225	\$ 159	\$ 2,216
2018		18,566	18,776	18,648	18,590	18,541	18,427	18,421	93	2,254
2019			18,765	18,554	18,315	18,215	17,915	17,269	9	2,046
2020				18,363	17,455	16,793	16,401	16,375	50	1,989
2021					18,267	18,399	18,152	18,455	592	2,037
2022						23,405	21,976	21,614	1,615	2,011
2023							24,449	24,152	3,059	2,135
2024								27,693	7,369	2,631
								<u>\$164,203</u>	<u>\$ 12,946</u>	

**Cumulative paid losses and loss adjustment expenses, net of reinsurance through December 31, 2024**

Accident Year	2017 *	2018*	2019 *	2020 *	2021*	2022*	2023*	2024
2017	\$ 15,404	\$ 17,912	\$ 19,200	\$ 19,695	\$ 19,896	\$ 20,048	\$ 20,051	\$ 20,067
2018		13,992	16,414	17,283	17,902	18,239	18,303	18,328
2019			14,477	16,037	16,807	17,412	17,794	17,259
2020				14,484	15,633	16,123	16,132	16,322
2021					13,575	15,235	16,622	17,863
2022						17,695	19,300	19,989
2023							19,524	21,085
2024								<u>22,238</u>
								<u>\$153,150</u>
							incurred less paid	12,946
							unpaid loss adjustment expenses	<u>571</u>
							loss and LAE reserves	<u>\$ 13,517</u>

\*Unaudited required supplemental information

**Credit and Surety**

**Incurred losses and loss adjustment expenses, net of reinsurance through December 31, 2024**

Accident Year	2017 *	2018*	2019 *	2020 *	2021*	2022*	2023*	2024	IBNR and Case Development Liabilities	Cumulative No. of Reported Claims
2017	\$ 727	\$ 707	\$ 705	\$ 690	\$ 680	\$ 682	\$ 680	\$ 681	\$ 8	\$ 55
2018		564	590	587	585	582	576	575	5	57
2019			528	547	536	531	515	480	1	45
2020				546	518	486	469	463	3	39
2021					519	542	526	544	32	37
2022						635	607	591	87	35
2023							702	722	164	45
2024								700	292	53
								<u>\$ 4,757</u>	<u>\$ 591</u>	

**BIGLARI REINSURANCE LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(Expressed in '000 U.S. Dollars, except share data)*

**Cumulative paid losses and loss adjustment expenses, net of reinsurance through December 31, 2024**

Accident Year	2017 *	2018*	2019 *	2020 *	2021*	2022*	2023*	2024
2017	\$ 446	\$ 557	\$ 627	\$ 652	\$ 663	\$ 672	\$ 672	\$ 673
2018		319	464	514	548	566	569	570
2019			299	412	455	488	508	479
2020				339	421	450	455	460
2021					267	373	444	513
2022						329	464	504
2023							439	558
2024								408
								<u>\$ 4,165</u>
							incurred less paid	591
							unpaid loss adjustment expenses	6
							loss and LAE reserves	<u>\$ 597</u>

*\*Unaudited required supplemental information*

**7. Reinsurance**

In the ordinary course of business, the Company's subsidiaries purchase facultative reinsurance to reduce exposure to significant losses. Facultative reinsurance provides coverage for a specified type or category of risks. Facultative reinsurance agreements provide this cover on an excess of loss basis. Excess of loss covers provide a contractually set amount of coverage after a specified loss amount has been reached. These contracts provide cover for specified lines of business.

All these reinsurance covers provide the Company's subsidiaries with the right to recover a portion of specified losses and loss expenses from reinsurers. However, to the extent that the reinsurers do not meet their obligations under these agreements due to solvency issues, contractual disputes or other reasons, the Company's subsidiaries remain liable.

**(a) Effects of reinsurance on premiums loss and loss adjustment expenses**

The effects of reinsurance on premiums written and earned and on losses and loss adjustment expenses are as follows for the year ended December 31, 2024:

	<u>2024</u>
<b>Net premium written</b>	
Direct	\$ 71,498
Ceded	(3,104)
<b>Net premium earned</b>	<u>\$ 68,394</u>
<b>Net premium earned</b>	
Direct	<b>68,913</b>
Ceded	(3,104)
<b>Net premium earned</b>	<u>\$ 65,809</u>

**BIGLARI REINSURANCE LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(Expressed in '000 U.S. Dollars, except share data)*

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	<b>2024</b>
<b>Loss and loss adjustment expenses</b>	
Gross losses and loss adjustment expenses incurred	51,106
Losses and loss adjustment expense recoveries	(7,463)
<b>Net incurred losses and loss adjustment expenses</b>	<b>\$ 43,643</b>

**(b) Credit risk**

Reinsurance recoverable reflects amounts due from reinsurers based on the claim liabilities associated with the reinsured policy. The Biglari Insurance Group accrues amounts that are due from assuming companies based on estimated ultimate losses applicable to the contracts. The Company and its subsidiaries have not experienced credit losses.

As of December 31, 2024, all the reinsurance recoverables were from reinsurers rated A- or better by AM Best.

**8. Common shares capital and additional paid-in capital**

The Company's common shares issued as of December 31, 2024, comprise 10 common shares of par value at \$1 each.

Prior to the acquisition by Biglari Reinsurance in 2024, First Guard paid a dividend of \$7,000 to Biglari Holdings. During 2024, the Company received capital contributions from Biglari Holdings of \$335,425. These contributions include \$10,352 in cash, \$25,073 in capital and additional paid-up capital from the subsidiaries consolidated under common ownership, and \$300,000 in The Lion Fund, L.P. limited partnership interests.

**9. Related party transactions**

The related party transactions involve the investment in The Lion Fund, L.P. and The Lion Fund II, L.P., and are disclosed in notes 2 and 5.

**10. Taxation**

**(a) Bermuda**

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on either income or capital gains. On December 27, 2023, Bermuda enacted the Corporate Income Tax Act 2023 ("the Act"). The Act introduces a 15% corporate income tax ("CIT") on Bermuda businesses that are part of qualifying multinational enterprises. It has been confirmed that Biglari Reinsurance and its subsidiaries are not qualifying entities.

**BIGLARI REINSURANCE LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(Expressed in '000 U.S. Dollars, except share data)*

**(b) United States**

The Company has submitted an irrevocable election under Section 953(d) of the Internal Revenue Code to be treated as a U.S. domestic insurance company and will, therefore be subject to income tax in the U.S. on its worldwide income. The Company and its subsidiaries will file their federal income tax returns as a component of Biglari Holdings' consolidated federal income tax return. For the period ended December 31, 2024, income tax (benefit) expense consists of the following:

	<b>2024</b>
Current tax	\$ 716
Deferred tax	20,814
<b>Total</b>	<b>\$ 21,530</b>

Reconciliation of effective income tax:

Tax at U.S statutory rates	\$ 21,763
State income taxes, net of federal benefits	58
Other	(291)
<b>Total</b>	<b>\$ 21,530</b>

As at December 31, 2024, the components of net deferred tax assets (liabilities) are as follows:

	<b>2024</b>
<b>Deferred tax assets:</b>	
Unrealized losses on investment partnerships	\$ 144
Unrealized losses on investments	1,049
Insurance liabilities	1,273
<b>Total gross deferred tax assets</b>	<b>2,466</b>
<b>Deferred tax liabilities:</b>	
Unrealized gains on investment partnerships	(21,161)
Unrealized gains on investments	(1,172)
Deferred acquisition costs	(83)
Other	(303)
<b>Total gross deferred tax liabilities</b>	<b>(22,719)</b>
<b>Net deferred tax assets (liabilities)</b>	<b>\$ (20,253)</b>

**BIGLARI REINSURANCE LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(Expressed in '000 U.S. Dollars, except share data)*

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**11. Statutory financial information**

The Biglari Insurance Group's operations are subject to insurance and/or reinsurance laws and regulations in the jurisdictions in which they operate, the most significant of which are Bermuda and the U.S. These regulations include certain restrictions on the amount of dividends or other distributions available to shareholders without prior approval of the insurance regulatory authorities.

**Bermuda**

Biglari Reinsurance Ltd. is regulated by the Bermuda Monetary Authority ("BMA"). Under the Insurance Act 1978, amendments thereto and Related Regulations of Bermuda (the "Act"), Biglari Reinsurance is required to maintain minimum statutory capital and surplus equal to the greater of a minimum solvency margin ("MSM") and the Enhanced Capital Requirement ("ECR"). The MSM is the greater of \$1 million, approximately 15% of net premiums written, 15% of the net reserve for losses and loss expenses or 25% of the ECR. The ECR is calculated based on either an internally developed risk-based capital model or a standard risk-based capital model developed by the BMA. Under the Act, Biglari Reinsurance is restricted as to the payment of dividends for amounts greater than 25% of the prior year's statutory capital and surplus, whereby an affidavit signed by at least two members of the Board of Directors is required, attesting that any dividend in excess of this amount would not cause the company to fail to meet its relevant margins. In addition, Biglari Reinsurance is restricted from reducing by 15% or more its prior year's total statutory capital without approval from the BMA

As of December 31, 2024, the required statutory capital and surplus was \$37,978 and the available statutory capital and surplus was \$95,169.

**United States**

The required statutory capital and surplus of the Company's U.S. insurance subsidiaries, Southern Pioneer and FGIA, ASC is determined using the risk-based capital formula ("RBC"), which is the National Association of Insurance Commissioners' ("NAIC") method of measuring the minimum capital appropriate for a U.S. reporting entity to support its overall business operations in consideration of its size and risk profile. If a company falls below the authorized control level as determined under the RBC, the NAIC is authorized to take regulatory actions that it considers necessary to protect policyholders and creditors. The maximum dividend that may be paid by the Company's U.S. insurance subsidiaries is restricted by the regulatory requirements of the domiciliary states. Generally, the maximum dividend that may be paid by each of the Company's U.S. insurance subsidiaries is limited to unassigned surplus (statutory equivalent of retained earnings) and may also be limited to statutory net income, net investment income or 10% of total statutory capital and surplus. For Southern Pioneer, at December 31, 2024, the required statutory capital and surplus was \$5,459 and the actual statutory capital and surplus was \$43,072. For First Guard, December 31, 2024, the required statutory capital and surplus was \$1,978 and the actual statutory capital and surplus was \$45,683

**BIGLARI REINSURANCE LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(Expressed in '000 U.S. Dollars, except share data)*

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**12. Commitments and contingencies**

**(a) Concentrations of credit risk**

Credit risk is the risk of default of a counterparty or obligor including the risk of default under mitigating contracts like reinsurance, financial instruments and premium payments from policy holders. The Biglari Insurance Group mitigates credit risk through the application of detailed counterparty credit assessments, working to ensure that contractual terms are fit for purpose and that full disclosure of relevant information is made, and through exerting contractual and other credit control measures in pursuit of premium and reinsurance recoverables due.

Instruments which potentially subject the Biglari Insurance Group to concentration of credit risk consist principally of investments, cash and cash equivalents, premiums receivable and reinsurance balances. See Notes 7 for information with respect to reinsurance recoverable.

Investment Partnerships generally hold common stocks. A significant decline in the general stock market or in the prices of major investments may have a materially adverse effect on the Biglari Insurance Group's income and on consolidated shareholders' equity.

**(b) Litigation**

The Biglari Insurance Group is subject to litigation and arbitration in the normal course of its business. These lawsuits and arbitrations principally involve claims on policies of insurance and contracts of reinsurance and are typical for the Company and its subsidiaries, and for the property and casualty insurance and reinsurance industry in general. Such legal proceedings are considered in connection with the Biglari Insurance Group's loss and loss expense reserves. In addition to litigation relating to insurance and reinsurance claims, the Company and its subsidiaries are subject to lawsuits in the normal course of business. The status of any such legal actions is actively monitored by management. If management believed, based on available information, that an adverse outcome upon resolution of a given legal action was probable and the amount of that adverse outcome was reasonable to estimate, a loss would be recognized and a related liability recorded. No such liabilities were recorded by the Biglari Insurance Group as of December 31, 2024.

**13. Subsequent events**

The Biglari Insurance Group has completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2024, through April 30, 2025, the date the financial statements were available to be issued and concluded that there are no subsequent events requiring recognition or disclosure.