



Acquisition of Gray Surety

October 30, 2025

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Palomar 2X Strategy

A BUSINESS STRATEGY TO DOUBLE ADJUSTED NET INCOME AND ACHIEVE AN ADJUSTED ROE ABOVE 20% OVER THE INTERMEDIATE TERM

FUNDAMENTAL PRINCIPLES

- Profitable growth
- Anchored by earthquake franchise
- Low volatility – specialty lines focus
- Conservative and comprehensive risk transfer strategy
- Selective entry into new markets
- Sustain attractive margins

2025 STRATEGIC IMPERATIVES

- Integrate and Operate
- Build New Market Leaders Deliberately
- Remember What We Like (And What We Don't)
- Generate Consistent Earnings

The acquisition of Gray Casualty & Surety Company (“Gray Surety”) will play a key role in advancing our Palomar 2x strategic imperative and driving sustained profitable growth

Transaction Overview

SUMMARY OF TERMS FOR THE \$300M ACQUISITION OF GRAY SURETY

Gray Surety Overview

- Gray Surety is privately held and was established in 1996 as a wholly-owned subsidiary of The Gray Insurance Company
- Headquartered in Louisiana and admitted/licensed in all 50 states with a current Treasury-listing (“T-listing”) of \$13m
- Specialize in contract bonds for midsized and emerging contractors
- Led by an experienced, entrepreneurial management team that maintains a disciplined underwriting approach

Key Stats¹

\$81m

GWP
(TTM 6/30/25,
up from \$21m
in 2021)

20%

**Loss & LAE
Ratio**
(2021-6/30/25)

80%

**Combined
Ratio**
(2021-6/30/25)

\$122m

**Statutory
Surplus**
(6/30/25)

Transaction Highlights

Transaction Summary	<ul style="list-style-type: none"> • Palomar to acquire 100% of equity interests of Gray Surety
Purchase Price	<ul style="list-style-type: none"> • \$300m²
Consideration	<ul style="list-style-type: none"> • All-cash transaction
Financing	<ul style="list-style-type: none"> • Transaction expected to be funded with a combination of cash and debt
Required Approvals	<ul style="list-style-type: none"> • HSR and insurance regulatory approvals (e.g. Louisiana Department of Insurance)
Timing	<ul style="list-style-type: none"> • Expected to close in first half of 2026

Source S&P Capital IQ

1. All figures shown represent Statutory financials
2. Subject to customary closing adjustments

Significant Value Creation Opportunity

SIGNIFICANT ENHANCEMENT OF OUR MARKET POSITION AND FINANCIAL PROFILE

Expansion into Attractive Surety Market

- ☑ Surety markets have seen a recent acceleration in growth, 13% CAGR since 2021 (vs. 15-year CAGR of 4.5%)
- ☑ Surety continues to produce attractive combined ratios, outperforming the broader P&C industry by ~30ppts
- ☑ Scarce asset providing foothold in new markets including Texas, Florida, and California

Strategic Alignment

- ☑ Builds upon prior FIA acquisition, enhancing financial strength, scale, and strategic support
- ☑ Complements and enhances existing capabilities, access to all 50 state licenses and increases T-listing to \$13m
- ☑ Enhances business diversification with limited correlation to existing lines and broader P&C market

Attractive Financial Profile

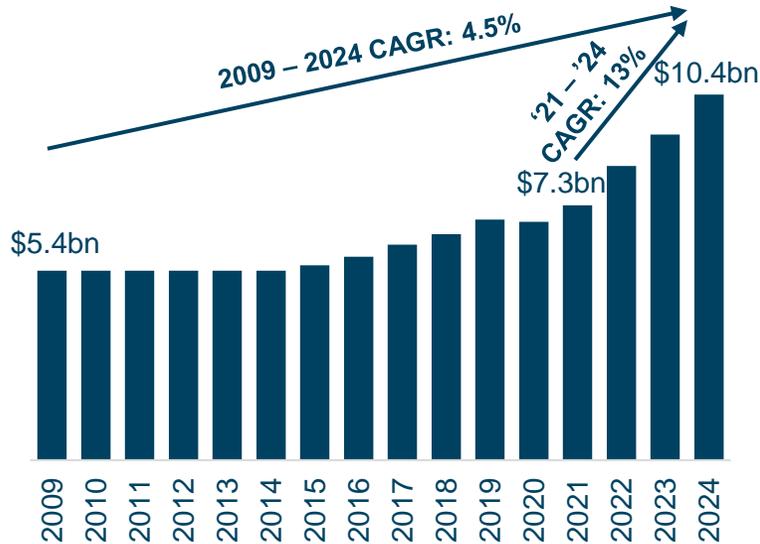
- ☑ Transaction is expected to be immediately accretive to Adjusted EPS (excluding synergies)
- ☑ Opportunity to accelerate high-growth trajectory through Palomar scale and capital advantages
- ☑ Highly profitable underwriting allows for incremental reinsurance optimization / risk participation

Expansion into Attractive Surety Market

THE SURETY MARKET REMAINS HIGHLY ATTRACTIVE WITH SIGNIFICANT WHITESPACE FOR GRAY SURETY

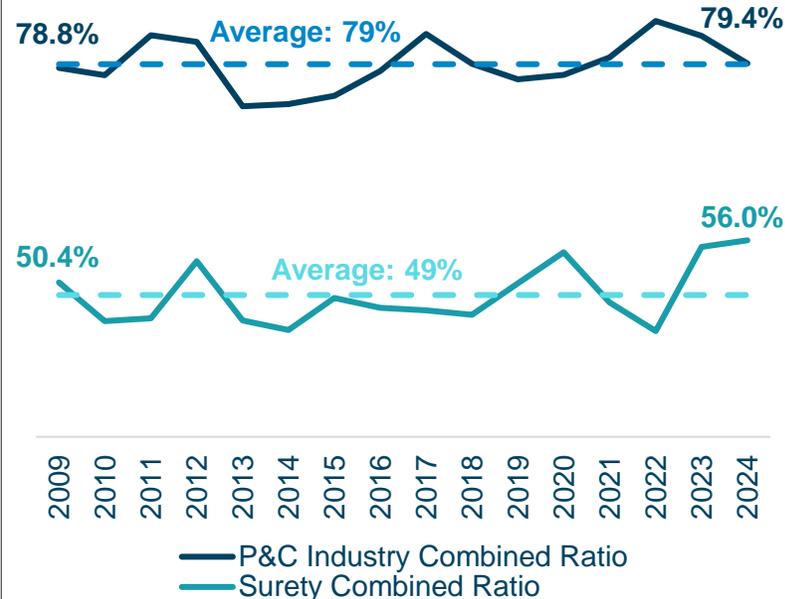
Premium Growth

- The U.S. surety market generated \$10.4 billion of direct written premium in 2024
- While the market has historically grown at a 4.5% CAGR since 2009, it has seen an acceleration in recent years, growing at a 13% CAGR since 2021



Underwriting Profitability

- The U.S. surety market consistently outperforms the broader P&C market, with a 15-year average Simple Combined Ratio¹ of 49% vs. 79% for the broader P&C market



The Gray Surety Advantage

Scarce asset as one of the few scaled, independent surety platforms

Broad geographic footprint and product suite is highly complementary to the existing FIA footprint

50% GWP CAGR (2021-2024) vs. the broader surety industry's 13% DWP CAGR

18% average Simple Loss Ratio² (2021-2024) vs. surety industry's 21% average Simple Loss Ratio²

Source S&P Capital IQ

Note: All figures shown represent Statutory financials

1. Simple Combined Ratio includes direct losses, DCC, commissions, tax, licenses, and fees by line. Excludes allocated LAE and other underwriting expenses

2. Simple Loss Ratio includes direct losses

Strategic Alignment

MEANINGFULLY ENHANCES SURETY FRANCHISE,
BOLSTERING CURRENT MARKET POSITION AND COMPLEMENTING EXISTING OPERATIONS

Strategic Rationale

Scale

- Combination of FIA and Gray Surety accelerates the scale of surety operations to create a top 40 writer

New Markets

- Ability to move up market to write larger contractors with increased bond and aggregate bond program requirements

New Geographies

- Expansion into new states, including Texas, Florida and California

Operating Capabilities

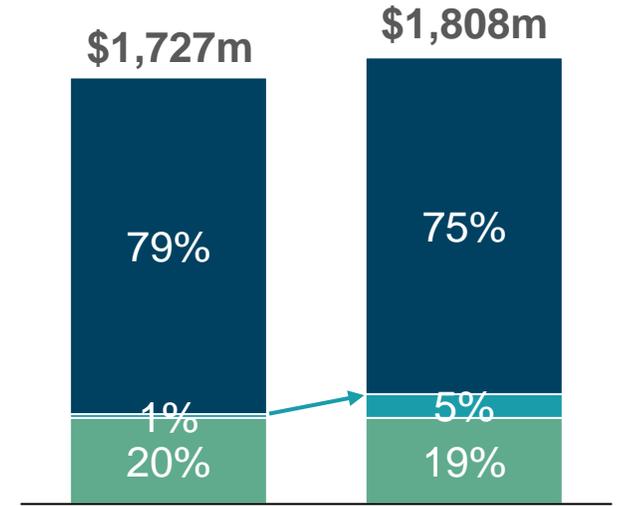
- Added underwriting / claims / systems capabilities, led by an experienced management team with proven ability to grow profitably

Limited Correlation

- Expansion into a profitable market with limited correlation to existing lines and broader P&C market

Diversification and Scale

(LTM Q2 2025 GWP)



Palomar Palomar + GRAY SURETY

- All Other Lines
- Surety
- Casualty (excl. Surety)

Gray Surety GWP will be reported within Casualty, alongside FIA Surety

Transaction Generates Attractive Economics

TRANSACTION PRODUCES AN ATTRACTIVE FINANCIAL OUTCOME WITH SIGNIFICANT LONG-TERM GROWTH POTENTIAL

Financially Attractive Transaction

Immediately accretive to Adjusted EPS
(excluding synergies)

Synergies offer upside to Adjusted EPS

Strong cash flow generation of combined business

Manageable debt-to-total capital with strong growth in book value for the combined business

Synergy Opportunities

Expense

- Operating efficiencies across back-office functions
- Most expense synergies are realized shortly after closing, 100% within 12 months

Reinsurance

- Further optimize reinsurance program to enhance risk-adjusted return profile
- Highly profitable underwriting allows for incremental risk participation

Opportunity to accelerate Gray Surety's current high-growth trajectory – supported by Palomar scale and capital advantages (larger T-listing) and ability to move up market to write larger contractors with increased bond and aggregate bond program needs