Zenith National Insurance Corp. and Subsidiaries

Consolidated Financial Statements
as of March 31, 2022 and December 31, 2021 and for the three months ended March 31, 2022 and 2021
(unaudited)

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ZENITH NATIONAL INSURANCE CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(In thousands, except par value)	March 31, 2022	December 31, 2021
Assets:		
Investments:		
Fixed maturity securities, at fair value (amortized cost $1,052,625 in 2022 and $898,491 in 2021)	$ 1,050,977	$ 897,537
Equity securities, at fair value (cost $265,031 in 2022 and $261,116 in 2021)	339,996	348,776
Short-term investments, at fair value which approximates cost	60,173	188,687
Mortgage loans, at fair value which approximates cost	96,801	79,337
Other investments	162,382	155,664
Derivative assets, at fair value (cost $17,348 in 2022 and $13,225 in 2021)	8,339	3,214
Total investments	1,718,668	1,673,215
Cash	41,903	104,568
Accrued investment income	4,582	4,466
Premiums receivable	54,720	48,816
Reinsurance recoverables	50,941	47,854
Deferred policy acquisition costs	19,553	17,543
Deferred tax asset	49,938	44,191
Income tax receivable	1,055	
Operating lease right-of-use assets	26,718	25,107
Goodwill	20,985	20,985
Other assets	63,636	59,161
Total assets	$ 2,052,699	$ 2,045,906
Liabilities:		
Unpaid losses and loss adjustment expenses	$ 1,046,052	$ 1,049,076
Unearned premiums	120,597	105,236
Policyholders' dividends accrued	31,067	30,780
Long-term debt	38,318	38,310
Income tax payable		649
Operating lease liabilities	28,264	26,622
Derivative liabilities	1,757	380
Other liabilities	87,872	89,757
Total liabilities	1,353,927	1,340,810
Commitments and contingencies (see Note 10)		
Stockholders' equity:		
Common stock, $1 par value, 40 authorized shares; 39 shares issued and outstanding	39	39
Additional paid-in capital	396,935	399,159
Retained earnings	310,826	314,948
Accumulated other comprehensive loss	(9,028)	(9,050)
Total stockholders' equity	698,772	705,096
Total liabilities and stockholders' equity	$ 2,052,699	$ 2,045,906

The accompanying notes are an integral part of these financial statements.

ZENITH NATIONAL INSURANCE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

	Three Months Ended March 31,	
(In thousands)	2022	2021
Revenues:		
Net premiums earned	$ 170,841	$ 171,655
Net investment income (loss)	1,012	(331)
Net realized gains (losses) on investments	(2,345)	1,953
Change in net unrealized gains/losses on fair value option investments	(10,262)	55,892
Net gains on derivatives	93	15,329
Service fee income	1,566	1,445
Total revenues	160,905	245,943
Expenses:		
Losses and loss adjustment expenses incurred	93,891	83,645
Underwriting and other operating expenses:		
Policyholder acquisition costs	35,118	32,552
Underwriting and other costs	31,629	31,612
Policyholders’ dividends	4,627	5,353
Interest expense	830	830
Total expenses	166,095	153,992
Income (loss) before tax	(5,190)	91,951
Income tax expense (benefit)	(1,068)	19,080
Decrease in valuation allowance		(12,000)
Net income (loss)	(4,122)	84,871
Change in unrealized gains/losses on investments, net of tax	(32)	627
Change in unrealized foreign currency translation adjustments, net of tax	54	(60)
Other comprehensive income	22	567
Total comprehensive income (loss)	$ (4,100)	$ 85,438

The accompanying notes are an integral part of these financial statements.

ZENITH NATIONAL INSURANCE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended March 31,	
(In thousands)	2022	2021
Cash flows from operating activities:		
Premiums collected	$ 185,191	$ 175,694
Investment income received	3,830	5,053
Losses and loss adjustment expenses paid	(100,754)	(85,149)
Underwriting and other operating expenses paid	(81,090)	(75,572)
Interest paid	(1,646)	(1,646)
Income taxes paid	(6,390)	(143)
Net cash (used in) provided by operating activities	(859)	18,237
Cash flows from investing activities:		
Purchases of investments:		
Fixed maturity securities – fair value option	(544,091)	(552,955)
Equity securities – fair value option	(4,167)	
Mortgage loans	(17,323)	(2,795)
Affiliate corporate loans	(5,000)	
Other investments	(92)	(3,594)
Derivatives	(4,125)	
Proceeds from maturities and redemptions of investments:		
Fixed maturity securities – fair value option	175,150	433,601
Proceeds from sales of investments:		
Fixed maturity securities – fair value option	212,846	2,222
Equity securities – fair value option	198	
Other investments	915	2,490
Net decrease in short-term investments	128,376	128,219
Net derivative cash settlements	468	9,276
Capital expenditures and other	(838)	(169)
Net cash (used in) provided by investing activities	(57,683)	16,295
Cash flows from financing activities:		
Purchase of Fairfax shares for restricted stock awards	(4,123)	(888)
Net cash used in financing activities	(4,123)	(888)
Net (decrease) increase in cash	(62,665)	33,644
Cash at beginning of period	104,568	62,838
Cash at end of period	$ 41,903	$ 96,482

The accompanying notes are an integral part of these financial statements.

ZENITH NATIONAL INSURANCE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(UNAUDITED)

(In thousands)	Three Months Ended March 31, 2022	2021
Reconciliation of net income (loss) to net cash (used in) provided by operating activities:		
Net income (loss)	$ (4,122)	$ 84,871
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation expense	502	660
Net amortization expense	1,870	2,404
Net realized losses (gains) on investments	2,345	(1,953)
Change in net unrealized gains/losses on fair value option investments	10,262	(55,892)
Net gains on derivatives	(93)	(15,329)
Equity in losses of investee	1,176	3,958
Stock-based compensation expense	1,899	1,496
Decrease (increase) in:		
Accrued investment income	(116)	1,116
Premiums receivable	(7,941)	(20,278)
Reinsurance recoverables	(3,087)	406
Deferred policy acquisition costs	(2,010)	(2,479)
Net income taxes	(7,458)	6,937
Increase (decrease) in:		
Unpaid losses and loss adjustment expenses	(3,024)	(2,938)
Unearned premiums	15,361	16,893
Policyholders’ dividends accrued	287	651
Accrued expenses	(2,813)	(1,261)
Interest payable	(823)	(823)
Prepaid policy and guarantee fund assessments	(4,188)	(1,672)
Other	1,114	1,470
Net cash (used in) provided by operating activities	$ (859)	$ 18,237

The accompanying notes are an integral part of these financial statements.

ZENITH NATIONAL INSURANCE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

	Three Months Ended March 31,	
(In thousands)	2022	2021
Common stock:	$ 39	$ 39
Additional paid-in capital:		
Beginning of period	399,159	400,264
Stock-based compensation expense	1,899	1,496
Purchases of Fairfax shares for restricted stock awards	(4,123)	(888)
End of period	396,935	400,872
Retained earnings:		
Beginning of period	314,948	118,659
Net income (loss)	(4,122)	84,871
End of period	310,826	203,530
Accumulated other comprehensive loss:		
Beginning of period	(9,050)	(6,687)
Change in unrealized gains/losses on investments, net of tax	(32)	627
Change in unrealized foreign currency translation adjustments, net of tax	54	(60)
End of period	(9,028)	(6,120)
Total stockholders' equity	$ 698,772	$ 598,321

The accompanying notes are an integral part of these financial statements.

Note 1. Basis of Presentation and Accounting Policies

Basis of Presentation

Zenith National Insurance Corp. (“Zenith National”) is a Delaware holding company, which is a wholly-owned indirect subsidiary of Fairfax Financial Holdings Limited (“Fairfax”). Fairfax is a Canadian financial services holding company, whose common stock is publicly traded on the Toronto Stock Exchange, and is principally engaged in property and casualty insurance, reinsurance and associated investment management. Zenith National’s wholly-owned subsidiaries (primarily Zenith Insurance Company (“Zenith Insurance”)), specialize in the workers’ compensation insurance business, nationally and, since 2010, in the property-casualty business for California agriculture. Unless otherwise indicated, all references to the “Company” refer to Zenith National together with its subsidiaries.

The accompanying unaudited Consolidated Financial Statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (including normal, recurring adjustments) necessary for a fair presentation of the Company’s financial position and results of operations for the periods presented have been included. The results of operations for an interim period are not necessarily indicative of the results for an entire year. For further information, refer to the Audited Consolidated Financial Statements and Notes thereto of the Company for the year ended December 31, 2021.

The accompanying Consolidated Financial Statements differ from the financial information published by Fairfax in regards to the Company primarily due to differences between GAAP and International Financial Reporting Standards (“IFRS,” the reporting basis used by Fairfax), intercompany investment transactions and accounting adjustments recorded by Fairfax related to the acquisition of the Company.

Reclassifications

Certain prior year amounts in the accompanying consolidated financial statements have been reclassified and amended to conform to the current year presentation.

Subsequent Events

The Company evaluated subsequent events through the date and time that the Consolidated Financial Statements were issued on May 4, 2022.

Note 2. Investments

The cost or amortized cost and fair value of investments recorded at fair value under the fair value option as of March 31, 2022 and December 31, 2021 were as follows:

(In thousands)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
March 31, 2022				
Fair value option investments:				
Fixed maturity securities:				
U.S. Government debt	$ 1,013,442		$ (7,121)	$ 1,006,321
State and local government debt	10,136	$ 141		10,277
Foreign government debt	15,868	829		16,697
Corporate debt	13,179	4,749	(246)	17,682
Total fixed maturity securities	1,052,625	5,719	(7,367)	1,050,977
Equity securities	265,031	100,452	(25,487)	339,996
Short-term investments	60,174		(1)	60,173
Mortgage loans	96,801			96,801
Other investments – cost-method partnerships	35,880	11,373	(2,202)	45,051
Other investments – affiliate corporate loans	14,323	887		15,210
Other investments – contingent consideration receivable	16,158	2,408		18,566
Total fair value option investments	**$ 1,540,992**	**$ 120,839**	**$ (35,057)**	**$ 1,626,774**
December 31, 2021				
Fair value option investments:				
Fixed maturity securities:				
U.S. Government debt	$ 859,495		$ (459)	$ 859,036
State and local government debt	10,179	$ 321		10,500
Foreign government debt	15,014		(1,416)	13,598
Corporate debt	13,803	600		14,403
Total fixed maturity securities	898,491	921	(1,875)	897,537
Equity securities	261,116	113,129	(25,469)	348,776
Short-term investments	188,689		(2)	188,687
Mortgage loans	79,337			79,337
Other investments – cost-method partnerships	35,790	9,195	(2,387)	42,598
Other investments – affiliate corporate loans	9,322	887		10,209
Other investments – contingent consideration receivable	17,038	1,645		18,683
Total fair value option investments	**$ 1,489,783**	**$ 125,777**	**$ (29,733)**	**$ 1,585,827**

Fixed maturity securities, including short-term investments, by contractual maturity as of March 31, 2022 were as follows:

(In thousands)	Amortized Cost	Fair Value
Due in one year or less	$ 537,042	$ 535,802
Due after one year through five years	572,959	572,682
Due after ten years	2,798	2,666
Total	$ 1,112,799	$ 1,111,150

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.

As of March 31, 2022 and December 31, 2021, total investments also include other investments detailed next and derivative contracts described in Note 3.

Other investments consist of the following:

(In thousands)	March 31, 2022	December 31, 2021
Equity-method common stock (a)	$ 83,555	$ 84,174
Cost-method partnerships, at fair value (cost $35,880 in 2022 and $35,790 in 2021) (b)	45,051	42,598
Affiliate corporate loans, at fair value (amortized cost $14,323 in 2022 and $9,322 in 2021)	15,210	10,209
Contingent consideration receivable, at fair value (cost $16,158 in 2022 and $17,038 in 2021)	18,566	18,683
Total other investments	$ 162,382	$ 155,664

(a) Investments in common stock accounted for under the equity-method are recorded at cost, adjusted for subsequent purchases, distributions, other-than-temporary impairments, if any, and the Company's share of the changes in the investee's net asset value ("NAV") since the initial acquisition.

(b) Partnerships and limited liability company investments where the Company's ownership is minor and the Company does not have significant operating or financial influence are recorded at fair value.

As of March 31, 2022, the Company had commitments to invest an additional $11.0 million in partnerships and limited liability companies.

Net realized gains (losses) on investments, excluding derivatives, were as follows:

	Three Months Ended March 31,	
(In thousands)	2022	2021
Sales of fixed maturity securities, including short-term investments and other (a)	$ (2,837)	$ (453)
Sales of equity securities	(52)	
Gains from other investments (b)	544	2,406
Net realized gains (losses) on investments	$ (2,345)	$ 1,953

(a) In the three months ended March 31, 2022 and 2021, net realized losses on sales of fixed maturity securities, including short-term investments and other included realized losses of $3.3 million and $0.5 million, respectively, recorded in connection with Atlas Corp.'s ("Atlas", formerly Seaspan Corporation, or "Seaspan") acquisition of Apple Bidco Limited ("AB"), both affiliates of Fairfax and the Company. See Note 5.

(b) In the three months ended March 31, 2021, net realized gains from other investments included dilution gains on equity-method investments in connection with their respective initial public offerings ("IPOs") of $1.0 million for Boat Rocker Media Inc. ("Boat Rocker") and $0.2 million for Farmers Edge ("FE") as well as a realized gain of $0.8 million on the conversion of FE loans into common stock.

The changes in unrealized gains/losses on investments recorded as a separate component of stockholders' equity were as follows:

	Three Months Ended March 31,	
(In thousands)	2022	2021
Change in unrealized gains/losses on investments, before tax	$ (40)	$ 793
After tax	$ (32)	$ 627

The change in net unrealized gains/losses on fair value option investments still held was as follows:

	Three Months Ended March 31,	
(In thousands)	2022	2021
Change in net unrealized gains/losses recognized on fair value option investments	$ (10,262)	$ 55,892
Less: Net losses (gains) recognized on fair value option investments sold	81	(1,522)
Change in net unrealized gains/losses recognized on fair value option investments still held at the reporting date	$ (10,343)	$ 57,414

Net investment income (loss) was as follows:

	Three Months Ended March 31,	
(In thousands)	2022	2021
Fixed maturity securities (a)	$ 1,411	$ 3,276
Equity securities	1,107	600
Derivatives		745
Short-term and other investments	358	474
Mortgage loans	1,147	349
Loss from equity-method investments (b)	(1,176)	(3,958)
Subtotal	2,847	1,486
Investment expenses	1,835	1,817
Net investment income (loss)	$ 1,012	$ (331)

(a) Income from fixed maturity securities in the three months ended March 31, 2022 decreased compared to the corresponding period of 2021, primarily due to the continuous sales and maturities of short-dated U.S. Treasury bonds and notes and corporate bonds, with the proceeds reinvested in mortgage loans in the first quarter of 2022 and in higher yielding long-term U.S. Treasury bonds in March 2022.

(b) Losses from equity-method investments for each period presented is detailed below:

	Three Months Ended March 31,	
(In thousands)	2022	2021
Fairfax India Holdings Corp.	$ (1,178)	$ 774
Boat Rocker Media Inc.	(477)	(3,166)
Helios Fairfax Partners Corp.	(53)	(1,342)
Other	532	(224)
Loss from equity-method investments	$ (1,176)	$ (3,958)

Note 3. Derivative Contracts

Derivatives entered into by the Company are considered investments or economic hedges and are not designated for hedge accounting treatment for financial reporting. Derivatives are carried at fair value. The fair value of derivatives in a gain position and fair value of derivatives in a loss position are presented as derivative assets and derivative liabilities, respectively, in the Consolidated Balance Sheets. The initial premium paid for a derivative contract, if any, is recorded as a derivative asset and subsequently adjusted for changes in the fair value of the contract at each reporting date. Changes in the fair value of derivatives are recorded as net gains (losses) on derivatives in the Consolidated Statements of Comprehensive Income (Loss), with a corresponding adjustment to the carrying value of the derivative asset or liability. Cash settlements related to fair value changes on derivatives are also recorded in the Consolidated Statements of Comprehensive Income (Loss) as net gains (losses) on derivatives, and are recorded as an investing activity in the Consolidated Statements of Cash Flows.

Cash received from counterparties as collateral for derivative contracts is recorded as other assets with a corresponding liability recorded in other liabilities in the Consolidated Balance Sheets. Securities pledged by counterparties to the Company as collateral for derivatives in a gain position are not recorded as assets. Securities pledged by the Company as collateral to counterparties for derivative contracts in a loss position, as well as contractually required independent collateral, are recorded in assets pledged for derivative obligations in the Consolidated Balance Sheets.

The following table summarizes the notional amounts, cost and fair values of derivative contracts:

(In thousands)	Notional Amount	Cost	Fair Value of Derivative Assets	Fair Value of Derivative Liabilities
March 31, 2022				
CPI-linked derivatives	$ 3,536,322	$ 13,091	$ 53	
Foreign exchange forwards	81,982			$ 1,757
Equity warrants (a)	19,134	4,257	8,286	
Total		$ 17,348	$ 8,339	$ 1,757
December 31, 2021				
CPI-linked derivatives	$ 3,548,602	$ 13,091	$ 25	
Foreign exchange forwards	81,067			$ 380
Equity warrants (a)	8,527	134	3,189	
Total		$ 13,225	$ 3,214	$ 380

(a) Equity warrants include 0.6 million shares of Atlas warrants held as of March 31, 2022 and December 31, 2021, 0.2 million shares of common stock warrants received as part of the investment in a private placement preferred stock in March 2022 and 0.5 million shares of Altius Minerals Corporation ("Altius") warrants purchased from an affiliate in March 2022. See Note 5.

The gains from settlements and changes in fair value of the derivative contracts are recorded as net gains on derivatives in the Consolidated Statements of Comprehensive Income (Loss) and were as follows:

(In thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Gains on settlements		
Equity derivatives:		
Equity total return swaps – long positions		$ 11,306
CPI-linked derivatives (a)		(4,065)
Foreign exchange forwards	$ 468	(2,032)
Total	468	5,209
Change in fair value		
Equity derivatives:		
Equity total return swaps – long positions		4,812
Equity warrants	974	
CPI-linked derivatives (a)	28	3,874
Foreign exchange forwards	(1,377)	1,434
Total	(375)	10,120
Net gains on derivatives		
Equity derivatives:		
Equity total return swaps – long positions		16,118
Equity warrants	974	
CPI-linked derivatives (a)	28	(191)
Foreign exchange forwards	(909)	(598)
Total net gains on derivatives	$ 93	$ 15,329

(a) In the three months ended March 31, 2021, one CPI Linked derivative contract matured, with a notional amount of $0.4 billion and losses previously recorded in change in fair value of $4.1 million were reclassified to gains on settlements.

Equity contracts

The Company held long equity total return swaps on individual equities and equity index put options for investment purposes. These contracts provided the total return on a notional amount (including dividends and capital gains or losses) that is directly correlated to changes in fair value of the underlying individual equities or equity indexes in exchange for the payment of a floating rate of interest on the notional amount. Total return swaps required no initial net cash investment; and at inception the fair value was zero. The Company's long equity total return swaps may have contained reset provisions requiring counterparties to cash-settle on a monthly or quarterly basis for any fair value changes arising subsequent to the most recent reset date. Any cash amounts paid to settle unfavorable fair value changes and conversely, any cash amounts received in settlement of favorable fair value changes, were recorded as net gains (losses) on derivatives in the Consolidated Statements of Comprehensive Income (Loss) (included in the gains on settlements section in the table above).

As of December 31, 2021, the Company closed all its total return swap positions.

CPI-linked derivative contracts

The Company has purchased derivative contracts referenced to consumer price indexes (‘‘CPI’’) in the United States and Europe to serve as an economic hedge against the potential adverse financial impact on the Company of decreasing price levels. In the event of a sale, maturity or early settlement of any of these contracts, the Company would receive the fair value of that contract on the date of the transaction. The Company's maximum potential loss on any contract is limited to the original cost of that contract. Net unrealized gains (losses) on CPI-linked derivative contracts typically reflect the market's expectation of decreases (increases) in the values of the CPI indexes underlying these contracts at their respective maturities during the periods presented (these contracts are structured to benefit the Company during periods of decreasing CPI index values). As of March 31, 2022, these contracts had a remaining weighted average life of approximately 2 years.

The following table summarizes the notional amounts and underlying CPI Index price ("strike price") for the Company's CPI-linked derivative contracts at initiation and the index value as of March 31, 2022 and December 31, 2021:

(Notional amount in thousands)	Notional Amount Original Currency	Notional Amount US Dollars	Weighted Average Strike Price In Original Currency	Index Value
Underlying CPI Index:				
March 31, 2022				
United States	2,980,000	$ 2,980,000	235.47	287.50
European Union	500,000	556,322	100.63	114.12
		$ 3,536,322		
December 31, 2021				
United States	2,980,000	$ 2,980,000	235.47	278.80
European Union	500,000	568,602	100.63	109.97
		$ 3,548,602		

Foreign exchange forward contracts

The Company has exposure to foreign currency fluctuations for foreign investments held. Foreign exchange forward contracts ("foreign exchange forwards"), primarily denominated in the Canadian dollar are used to manage certain foreign currency exposures arising from foreign currency denominated investments. These foreign exchange forwards require no initial net cash investment and at inception the fair value is zero. These contracts have a term to maturity of less than one year and may be renewed at market rates.

Counterparty collateral and exposure

The Company limits counterparty risk through the terms of master netting agreements negotiated with counterparties to its derivative contracts. These agreements provide for a single net settlement of all financial instruments covered by the agreement in the event of default by the counterparty, thereby permitting obligations owed by the Company to a counterparty to be offset to the extent of the aggregate amount receivable by the Company from that counterparty ("net settlement arrangements"). Pursuant to these agreements, the counterparties to the derivative contracts are also contractually required to deposit eligible collateral in collateral accounts (subject to certain minimum thresholds) for the benefit of the Company depending on the then current fair value of the derivative contracts.

The following table sets out the Company's exposure to credit risk related to the counterparties to its derivative contracts:

(In thousands)		March 31, 2022		December 31, 2021
Total derivative assets (a)	$	53	$	25
Fair value of collateral deposited for the benefit of the Company				(1)
Net derivative counterparty exposure after net settlement and collateral arrangements	$	53	$	24

(a) Excludes equity warrants with a fair value of $8.3 million and $3.2 million as of March 31, 2022 and December 31, 2021, respectively, which are not subject to counterparty risk.

The net derivative counterparty exposure after net settlement and collateral arrangements relates principally to the timing of collateral placement.

As of March 31, 2022 and December 31, 2021, the counterparties pledged $0.3 million in cash for the Company's benefit. The Company recorded the cash collateral as other assets and recorded a corresponding liability in its Consolidated Balance Sheets. The Company does not record in its Consolidated Balance Sheets securities pledged by counterparties as collateral for derivatives in a gain position.

As of March 31, 2022 and December 31, 2021, the Company had no pledged amounts recorded as contractually required collateral to a counterparty on any derivative contracts.

Offsetting of Derivative Assets/Liabilities

The Company entered into master netting agreements with certain of its derivative counterparties whereby the collateral provided (held) is calculated on a net basis. In accordance with GAAP, the Company elected not to offset derivative assets and liabilities in the Consolidated Balance Sheets for the counterparties with the master netting agreement. The following table summarizes by counterparty (1) the gross and net amounts reflected as derivative assets (excluding equity warrants) and liabilities in the Consolidated Balance Sheets; (2) the gross amounts of the derivative instruments eligible for netting but not offset in the Consolidated Balance Sheets; and (3) financial collateral received and pledged which is contractually permitted to be offset upon an event of default, but is not allowed to be presented net under GAAP (net amount of exposure).

		Gross amounts not offset in the Consolidated Balance Sheets		
(In thousands)	Gross and net amounts reflected in the Consolidated Balance Sheets	Derivative asset (liability)	Collateral provided (held) - financial instruments (a)	Net amount of exposure
March 31, 2022				
Derivative assets:				
Citibank, N.A.	$ 53			$ 53
Total derivative assets (b)	$ 53			$ 53
Derivative liabilities:				
Bank of New York Mellon (c)	$ (1,757)			$ (1,757)
Total derivative liabilities	$ (1,757)			$ (1,757)
December 31, 2021				
Derivative assets:				
Citibank, N.A.	$ 24			$ 24
Deutsche Bank AG London	1		$ (1)	
Total derivative assets (b)	$ 25		$ (1)	$ 24
Derivative liabilities:				
Bank of New York Mellon (c)	$ (380)			$ (380)
Total derivative liabilities	$ (380)			$ (380)

(a) Amounts of collateral pledged to the Company by the counterparties (collateral held) and pledged by the Company to the counterparties (collateral provided) reflected above are to the extent of the net counterparty exposure before collateral.

(b) Excludes equity warrants with a fair value of $8.3 million and $3.2 million as of March 31, 2022 and December 31, 2021, respectively, which are not subject to counterparty risk.

(c) Represents foreign currency contracts that are not subject to a master netting arrangement.

Note 4. Fair Value Measurements

Fair values for substantially all of the Company's financial instruments are measured using market or income approaches. Considerable judgment may be required in interpreting market data used to develop estimates of fair value. Accordingly, actual values realized in future market transactions may differ from the estimates presented in these consolidated financial statements. In determining fair value, the Company primarily uses prices and other relevant information generated by market transactions involving identical or comparable assets ("market approach"). The Company also considers the impact of a significant decrease in volume and level of activity for an asset or liability when compared with normal activity to identify transactions that are not orderly.

Fair value measurements are determined under a three level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, distinguishing between market participant assumptions developed based on market data obtained from sources independent of the reporting entity ("observable inputs") and the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances ("unobservable inputs"). The hierarchy level assigned to each security carried at fair value is based on the Company's assessment of the transparency and reliability of the inputs used in the valuation of each instrument at the measurement date. The highest priority is given to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Securities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company recognizes transfers between levels at the end of each reporting period in which the transfer is identified.

The three hierarchy levels are defined as follows:

Level 1— Inputs represent unadjusted quoted prices for identical instruments exchanged in active markets. The fair values of publicly traded equity securities, highly liquid cash management funds and short-term U.S. Government securities are based on published quotes in active markets.

Level 2— Inputs include directly or indirectly observable inputs (other than Level 1 inputs) such as quoted prices for similar financial instruments exchanged in active markets, quoted prices for identical or similar financial instruments exchanged in inactive markets and other market observable inputs. The fair value of the vast majority of the Company's investments in fixed maturity securities, along with most derivative contracts (including long equity total return swaps and foreign exchange forwards) are priced based on information provided by independent pricing service providers, while much of the remainder are based primarily on non-binding third party broker-dealer quotes that are prepared using Level 2 inputs. Where third party broker-dealer quotes are used, typically at least one quote is obtained from a broker-dealer with particular expertise in the instrument being priced. Certain common stock investments, which are measured at fair value using the NAV as a practical expedient, have been excluded.

Level 3— Inputs include unobservable inputs used in the measurement of financial instruments. Management is required to use its own assumptions regarding unobservable inputs, as there is little, if any, market activity in these instruments or related observable inputs that can be corroborated at the measurement date. Certain cost-method partnership investments, which are measured at fair value using the NAV practical expedient, have been excluded. Investments for which NAV is only a component of the fair value measurement continue to be included.

The following table presents the Company's investments measured at fair value on a recurring basis as of March 31, 2022 and December 31, 2021 classified by the valuation hierarchy discussed previously:

		Fair Value Measurement Using		
(In thousands)	Total (a)	Level 1	Level 2	Level 3
March 31, 2022				
Fair value option securities:				
Fixed maturity securities:				
U.S. government debt	$ 1,006,321		$ 1,006,321	
State and local government debt	10,277		10,277	
Foreign government debt	16,697		16,697	
Corporate debt	17,682		5,467	$ 12,215
Total fixed maturity securities	1,050,977		1,038,762	12,215
Equity securities (b)	339,996	$ 261,135	16,914	27,265
Short-term investments	60,173	60,173		
Mortgage loans	96,801			96,801
Other investments – cost-method partnerships (a) (b)	45,051			
Other investments – affiliate corporate loans	15,210			15,210
Other investments – contingent consideration receivable (a)	18,566			18,566
Total fair value option investments	$ 1,626,774	$ 321,308	$ 1,055,676	$ 170,057
Derivatives:				
Equity warrants	$ 8,286			$ 8,286
CPI-linked derivatives	53			53
Total derivative assets	8,339			8,339
Foreign exchange forwards	(1,757)		$ (1,757)	
Total derivative liabilities	(1,757)		(1,757)	
Net derivatives	$ 6,582		$ (1,757)	$ 8,339

		Fair Value Measurement Using		
(In thousands)	Total	Level 1	Level 2	Level 3
December 31, 2021				
Fair value option securities:				
Fixed maturity securities:				
U.S. government debt	$ 859,036		$ 859,036	
State and local government debt	10,500		10,500	
Foreign government debt	13,598		13,598	
Corporate debt	14,403		6,320	$ 8,083
Total fixed maturity securities	897,537		889,454	8,083
Equity securities (a)	348,776	$ 271,590	18,335	23,642
Short-term investments	188,687	188,687		
Mortgage loans	79,337			79,337
Other investments – cost-method partnerships (a) (b)	42,598			
Other investments – affiliate corporate loans	10,209			10,209
Other investments – contingent consideration receivable (a)	18,683			18,683
Total fair value option investments	$ 1,585,827	$ 460,277	$ 907,789	$ 139,954
Derivatives:				
Equity warrants	$ 3,189			$ 3,189
CPI-linked derivatives	25			25
Total derivative assets	3,214			3,214
Foreign exchange forwards	(380)		$ (380)	
Total derivative liabilities	(380)		(380)	
Net derivatives	$ 2,834		$ (380)	$ 3,214

(a) The fair value amounts presented in the "Total" column are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Balance Sheets. Cost-method partnerships, affiliate corporate loans and contingent consideration receivable are part of the composition of other investments in the Consolidated Balance Sheets. See Note 2 for the full composition of investments recorded under other investments.

(b) As of March 31, 2022 and December 31, 2021, certain common stock investments with a fair value of $34.7 million and $35.2 million, respectively, and cost-method partnerships with a fair value of $45.1 million and $42.6 million, respectively, are measured using NAV as a practical expedient and not required to be classified in the fair value hierarchy.

The following table presents changes in the Company's Level 3 fixed maturity and equity securities, mortgage loans, affiliate corporate loans, contingent consideration receivable and derivatives measured at fair value on a recurring basis:

(In thousands)	Corporate Debt	Equity Securities (a)	Mortgage Loans	Affiliate Corporate Loans	Contingent Consideration Receivable	Derivatives
Balance as of December 31, 2021	$ 8,083	$ 23,642	$ 79,337	$ 10,209	$ 18,683	$ 3,214
Purchases		4,167	17,421	5,000		4,125
Sales					(890)	
Realized and unrealized gains/losses included in:						
Net investments income – accretion of discounts			43			
Net realized gains on investments					10	
Change in net unrealized gains/losses on fair value option investments	4,132	(544)		1	763	1,000
Balance as of March 31, 2022	$ 12,215	$ 27,265	$ 96,801	$ 15,210	$ 18,566	$ 8,339
Balance as of December 31, 2020	$ 6,974	$ 17,639	$ 18,824	$ 18,065		$ 234
Purchases			2,795	1,133		
Sales				(9,289)		
Realized and unrealized gains/losses included in:						
Net investments income – accretion of discounts			150			
Net realized gains on investments				780		
Change in net unrealized gains/losses on fair value option investments	457	(90)		(739)		
Net losses on derivatives						(192)
Balance as of March 31, 2021	$ 7,431	$ 17,549	$ 21,769	$ 9,950		$ 42

(a) Change in unrealized gains/losses for equity securities include change in fair value and foreign currency fluctuation.

Note 5. Related Party Transactions

Investments

Management of all of the Company's investments is centralized at Fairfax through investment management agreements entered into in 2010. The parties to these agreements are Zenith National's insurance subsidiaries, Fairfax and Hamblin Watsa Investment Counsel, Ltd. ("HWIC"), an affiliate of Fairfax and the Company. In the three months ended March 31, 2022 and 2021, investment management expenses incurred under these agreements were $1.3 million and $1.2 million, respectively.

The Company owns fixed maturity securities, common stock, preferred stock, corporate loans and equity warrants issued by public and private companies and invests in limited partnerships which are affiliates of Fairfax and the Company (including but not limited to investments described in the following paragraphs). Affiliated common stock investments are recorded using the equity-method of accounting, unless the fair value option is elected. The Company's share of an equity-method investees' net income (loss), net realized gains (losses) from sales and share dilutions, are recorded in net investment income (loss) and net realized gains (losses) from investments, respectively, in the Consolidated Statements of Comprehensive Income (Loss). The Company's share of an equity-method investees' other changes in equity and net unrealized gains (losses) on foreign currency translation adjustments are recorded in the change in unrealized gains/losses on investments and change in unrealized foreign currency translation adjustments, respectively, in other comprehensive income.

The aggregate value of the Company's affiliated investments as of March 31, 2022 and December 31, 2021 was as follows:

(In thousands)		March 31 2022		December 31, 2021
Equity securities, at fair value	$	93,970	$	94,473
Other investments:				
Equity-method common stock		83,555		84,174
Partnerships, at fair value		9,263		8,704
Affiliate corporate loans, at fair value		15,210		10,209
Equity warrants, at fair value		3,511		3,189
Total	$	205,509	$	200,749

The following table summarizes the impact from the Company's affiliated investments on various components of total comprehensive income (loss):

	Three Months Ended March 31,			
(In thousands)		2022		2021
Included in net income (loss):				
Net investment loss	$	(383)	$	(3,030)
Net realized gains (losses) on investments		(2,757)		911
Change in net unrealized gains/losses on fair value option investments		57		12,782
Net gains on derivatives		322		
Included in other comprehensive income:				
Change in unrealized gains/losses on investments, before tax		(40)		793
Change in unrealized foreign currency translation adjustments, before tax		68		(76)
Total	$	(2,733)	$	11,380

The Company owned 0.7 million shares of Altius 5% preferred stock. In March 2022, the Company acquired 0.5 million of Altius common stock warrants, with an exercise price of CAD $15 per share and an expiration date of April 26, 2022, from Wentworth Insurance Company, an affiliate of Fairfax and the Company, for $3.3 million. In April 2022, Fairfax through its subsidiaries, including the Company, exercised the warrants in exchange for Altius common stock shares, and surrendered all of its preferred stock, for cancelation, to Altius as payment.

In February 2022, Fairfax through its subsidiaries, including the Company, invested in a short-term note issued by Access LNG Tema SCS (“Access LNG”), a Luxemburg limited partnership and an indirect investment of Helios Fairfax Partners (“HFP”), an affiliate of Fairfax and the Company. The note bears a 14% annual interest rate and has an initial term to maturity of six months, which can be extended for an additional three months at the option of the issuer. The Company invested $5.0 million in the Access LNG note and recorded this investment as an Affiliate Corporate Loan in Other Assets. As of March 31, 2022, the carrying value of the Company’s investment in Access LNG’s affiliate corporate loan was $5.0 million.

In 2021, Fairfax signed an amendment agreement in relation to the original sale of AB to Atlas, both affiliates of Fairfax and the Company, to potentially compensate Atlas for certain amounts and balances acquired in the transaction (“AB Indemnity”). In the three months ended March 31, 2022 and 2021, the Company recorded realized losses of $3.3 million and $0.5 million, respectively, for its share of realized losses related to the AB Indemnity and additional foreign exchange realized losses. As of March 31, 2022 and December 31, 2021, the carrying value of the Company’s outstanding AB Indemnity liability was $14.4 million and $11.7 million, respectively.

The Company owns an equity-method investment in the common stock of FE, a majority-owned subsidiary of Fairfax and an affiliate of the Company. In March 2021, FE completed its IPO, issuing 7.4 million common shares at $17.00 CAD per share. The common stock shares began trading on the TSX under the ticker symbol: FDGE. All outstanding FE convertible debentures held by Fairfax through its subsidiaries, including the Company (“FE affiliate loans”), which included original principal and accrued interest, were exchanged for 114.6 million pre-IPO common shares. All FE common shares outstanding prior to the IPO were then consolidated into fewer shares through a 7 for 1 reverse stock split. In connection with the conversion of FE’s affiliate loans, the Company recorded a realized gain of $0.8 million and increased the cost basis of its investment in FE common stock by $9.3 million, representing additional shares received, at fair value equal to the IPO price. As of March 31, 2022 and December 31, 2021, the carrying value of the Company’s equity-method investment in FE common stock was $3.7 million.

The Company owns an equity-method investment in the common stock of Boat Rocker, a majority-owned subsidiary of Fairfax and an affiliate of the Company. In March 2021, Boat Rocker completed its IPO, issuing 18.9 million common stock shares at $9.00 CAD per share. The common stock shares began trading on the TSX under the ticker symbol: BRMI. Prior to the IPO, Boat Rocker effected a 1.6016 for 1 stock split on its common shares outstanding, resulting in an increase in shares issued and outstanding. As of March 31, 2022 and December 31, 2021, the carrying value of the Company’s equity-method investment in Boat Rocker common stock was $18.3 million and $18.6 million, respectively.

Other

The Company entered into reinsurance agreements with various subsidiaries of Allied effective May 1, 2021, under which Allied cedes a portion of its global professional and medical liability business under the quota share and excess of loss reinsurance contracts on a risk-attaching basis. Total estimated premium assumed by the Company is expected to be approximately $22 million in the first year of the agreement, earned over the 24 months following the effective date of the agreement. In the three months ended March 31, 2022, the net impact on the Company's income before tax from this arrangement was $0.2 million, on net premiums earned of $10.9 million.

The Company continues to be a party to various reinsurance treaties with affiliates of Fairfax that were entered into in the ordinary course of business, primarily excess of loss reinsurance agreements with Odyssey Re for 2010 through 2022. As of March 31, 2022 and December 31, 2021, the Company recorded net reinsurance recoverables of $0.2 million and net payable for reinsurance of $0.1 million, respectively, related to the reinsurance transactions with the affiliates of Fairfax.

In the three months ended March 31, 2022 and 2021, Zenith National paid Fairfax $4.1 million and $0.9 million, respectively, for the cost of the open market purchases made by Fairfax on behalf of Zenith National of Fairfax Subordinate Voting Shares granted to certain officers under the Restricted Stock Plan.

The Company is party to Master Administrative Services Agreements with various affiliates of Fairfax and the Company. Under the agreements, the affiliated parties provide and receive administration services such as accounting, underwriting, claims, reinsurance, preparation of regulatory reports, and actuarial services. The Company provides claims administration services to Seneca Insurance Company, Inc. ("Seneca") and to RiverStone Group LLC and affiliates ("RiverStone"), both affiliates of Fairfax and the Company. Claims administration for RiverStone started in 2013 primarily for TIG Insurance Company workers' compensations claims, and starting in December 2021, includes certain Crum & Forster Holdings Corp workers' compensation claims assumed by the RiverStone. In the three months ended March 31, 2022 and 2021, service fee income recorded in the Consolidated Statements of Comprehensive Income (Loss), for RiverStone was $1.2 million and for Seneca was $33,000 and $56,000, respectively. As of March 31, 2022 and December 31, 2021, the Company recorded a net liability of $3.8 million and $2.6 million, respectively, to RiverStone comprised of a loss fund held for RiverStone claims of $4.3 million and $3.3 million, respectively, offset by a service fee receivable from RiverStone of $0.5 million and $0.7 million, respectively. As of March 31, 2022 and December 31, 2021, the loss fund held for Seneca claims was $0.4 million.

Note 6. Reinsurance Recoverable

Amounts recoverable for paid and unpaid losses from reinsurers as of March 31, 2022 and December 31, 2021 and their respective A.M. Best ratings were as follows:

(In thousands)		March 31, 2022 (a)		December 31, 2021 (a)	A.M. Best Rating (b)	A.M. Best Rating Date
General Reinsurance Corp.	$	27,420	$	23,175	A++	04/2022
Partner Reinsurance Company		6,858		3,595	A+	05/2021
Transatlantic Reinsurance Company		4,255		9,885	A+	11/2021
Hannover Rueck SE		2,478		2,670	A+	01/2022
Zenith Insurance 2019 AG IC 1 LLC (c)		2,232		2,039	NR	
Factory Mutual Insurance Company		1,554		1,039	A+	01/2022
All others (d)		6,144		5,451		
Total	$	50,941	$	47,854		

(a) Under insurance regulations in California, reinsurers placed securities on deposit equal to the California component of the Company’s ceded workers’ compensation loss reserves.

(b) A.M. Best, in assigning ratings, is primarily concerned with the ability of insurance and reinsurance companies to pay the claims of policyholders. In the A.M. Best ratings scheme, ratings of B+ to A++ are considered “Secure” and ratings of B and below are considered “Vulnerable.” NR means A.M. Best does not rate the reinsurer.

(c) Group captive sponsored by the Company, effective January 1, 2020.

(d) No individual reinsurer in excess of $1.2 million as of March 31, 2022 and December 31, 2021.

2022 Reinsurance Ceded Workers’ Compensation Coverage

The Company maintains excess of loss catastrophe reinsurance that provides protection for losses up to $150 million for losses including catastrophe losses arising out of earthquakes and acts of terrorism including nuclear, biological and chemical attacks. For the agriculture business, the Company retains the first $10 million of each loss arising from industrial accidents and the first $20 million of each loss arising out of earthquakes and acts of terrorism. For all other business classes, the Company retains the first $20 million of each loss. In April 2022, the Company entered into a new multi-cedant reinsurance contract for the $50 million in excess of $100 million layer, shared with other Fairfax affiliates.

2022 Reinsurance Ceded Agribusiness P&C Coverage

The Company maintains excess of loss per risk and catastrophe reinsurance on its Agribusiness P&C property lines of business that provides protection for losses up to $25 million and $20 million, respectively. In April 2022, the Company increased the catastrophe reinsurance coverage to $25 million. The Company retains the first $3.5 million for each per risk loss and $5.0 million for catastrophe loss.

The Company also participates in quota share reinsurance agreements for the umbrella and equipment breakdown lines of business. Under the umbrella quota share agreement, the Company retains 50% of the first $1 million and 10% in excess of $1 million up to $10 million on any one policy, any one claim or any one occurrence. Under the equipment breakdown quota share agreement, the Company cedes 100% of losses up to $100 million.

2021 Reinsurance Ceded Workers' Compensation Coverage

The Company maintained excess of loss catastrophe reinsurance that provides protection for losses up to $150 million for losses including catastrophe losses arising out of earthquakes and acts of terrorism including nuclear, biological and chemical attacks. For the agriculture business, the Company retains the first $10 million of each loss arising from industrial accidents and the first $20 million of each loss arising out of earthquakes and acts of terrorism. For all other business classes, the Company retains the first $20 million of each loss.

2021 Reinsurance Ceded Agribusiness P&C Coverage

The Company maintained excess of loss per risk and catastrophe reinsurance on its Agribusiness P&C property lines of business that provides protection for losses up to $25 million and $20 million, respectively. The Company retains the first $3.5 million for each per risk loss and $5.0 million for catastrophe loss.

The Company also participates in quota share reinsurance agreements for the umbrella and equipment breakdown lines of business. Under the umbrella quota share agreement, the Company retains 50% on the first $1 million and 10% in excess of $1 million up to $10 million on any one policy, any one claim or any one occurrence. Under the equipment breakdown quota share agreement, the Company cedes 100% of losses up to $100 million.

Note 7. Unpaid Losses and Loss Adjustment Expenses

The following table represents a reconciliation of changes in the liability for unpaid losses and loss adjustment expenses:

(In thousands)	March 31, 2022	March 31, 2021
Beginning of period, net of reinsurance	$ 1,003,800	$ 1,021,329
Incurred claims:		
Current accident year	109,607	106,782
Prior accident years	(15,716)	(23,137)
Total incurred claims	93,891	83,645
Payments:		
Current accident year	(15,759)	(13,443)
Prior accident years	(80,543)	(71,553)
Total payments	(96,302)	(84,996)
End of period, net of reinsurance	1,001,389	1,019,978
Receivable from reinsurers for unpaid losses	44,663	36,234
End of period, gross of reinsurance	$ 1,046,052	$ 1,056,212

Note 8. Other Comprehensive Income

Other comprehensive income is comprised of changes in unrealized gains/losses on investments and foreign currency translation adjustments. The following table summarizes the components of the Company's other comprehensive income:

(In thousands)		Pre-Tax		Tax Expense (Benefit)		After-Tax
Three months ended March 31, 2022						
Change in unrealized gains/losses on investments	$	(40)	$	(8)	$	(32)
Change in unrealized foreign currency translation adjustments		68		14		54
Total other comprehensive income	$	28	$	6	$	22
Three months ended March 31, 2021						
Change in unrealized gains/losses on investments	$	793	$	166	$	627
Change in unrealized foreign currency translation adjustments		(76)		(16)		(60)
Total other comprehensive income	$	717	$	150	$	567

The following table summarizes the net unrealized losses on investments and foreign currency translation adjustment recognized in accumulated other comprehensive loss:

(In thousands)		March 31, 2022		December 31, 2021
Net unrealized loss on investments, before tax	$	(7,723)	$	(7,683)
Deferred tax benefit		(1,622)		(1,614)
Net unrealized loss on investments, after tax		(6,101)		(6,069)
Net unrealized loss on foreign currency translation adjustment, before tax		(3,705)		(3,773)
Deferred tax benefit		(778)		(792)
Net unrealized loss on foreign currency translation adjustment, after tax		(2,927)		(2,981)
Total accumulated other comprehensive loss	$	(9,028)	$	(9,050)

Note 9. Stock-Based Compensation

The following table provides information regarding the Fairfax Subordinate Voting Shares under the Restricted Stock Plan:

	Number of Shares
Authorized for purchases and grants at plan inception in 2010	200,000
Additional authorization in 2020	300,000
Total authorized for purchases and grants	500,000
Purchased and restricted	(70,349)
Vested	(82,163)
Purchased and available for future grants	(174)
Available for future purchases as of March 31, 2022	347,314

The following represents open market purchases of Fairfax Subordinate Voting Shares under the Restricted Stock Plan which also resulted in charges to the Company's Stockholders' equity:

(Dollars in thousands, except share data)	Number of Shares	Weighted Average Purchase Price Per Share	Total Purchase Price
Purchased through December 31, 2019	118,352	$ 441.40	$ 52,240
Purchased in 2020	11,518	381.37	4,393
Purchased in 2021	14,526	441.18	6,409
Purchased in 2022	8,290	497.35	4,123
Total purchased since plan inception	152,686	439.88	$ 67,165

Changes in the restricted shares outstanding were as follows:

(Dollars in thousands, except share data)	Number of Shares	Weighted Average Grant Date Fair Value Per Share	Grant Date Fair Value
Restricted Shares at December 31, 2019	61,433	$ 478.40	$ 29,390
Granted during 2020	12,844	440.82	5,662
Forfeited during 2020	(200)	465.67	(93)
Vested during 2020	(16,476)	501.91	(8,269)
Restricted Shares at December 31, 2020	57,601	463.34	26,690
Granted during 2021	22,496	405.50	9,122
Forferited during 2021	(1,224)	466.47	(571)
Vested during 2021	(8,933)	449.52	(4,016)
Restricted Shares at December 31, 2021	69,940	446.45	31,225
Granted during 2022	11,715	495.34	5,803
Forfeited during 2022	(140)	437.69	(61)
Vested during 2022	(11,166)	439.52	(4,908)
Restricted Shares as of March 31, 2022	70,349	455.71	$ 32,059

In the three months ended March 31, 2022 and 2021, stock-based compensation expense before tax was $1.9 million and $1.5 million, respectively.

As of March 31, 2022 and December 31, 2021, unrecognized compensation expense before tax under the Restricted Stock Plan was $21.0 million and $17.1 million, respectively.

Note 10. Commitments and Contingencies

The Company is involved in various litigation proceedings that arise in the ordinary course of business. Disputes adjudicated in the workers' compensation administrative systems may be appealed to review boards or civil courts, depending on the issues and local jurisdictions involved. From time to time, plaintiffs also sue the Company on theories falling outside of the exclusive jurisdiction and remedies of the workers' compensation claims adjudication systems. Certain of these legal proceedings seek injunctive relief or substantial monetary damages, including claims for punitive damages, which may not be covered by reinsurance agreements. Historically, the Company has not experienced any material exposure or damages from any of these legal proceedings. In addition, in the opinion of management, after consultation with legal counsel, currently outstanding litigation is either without merit or the ultimate liability, if any, is not expected to have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows.