Zenith National Insurance Corp. and Subsidiaries

Consolidated Financial Statements
as of September 30, 2020 and December 31, 2019 and for the three and nine months ended September 30, 2020 and 2019
(unaudited)

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

(In thousands, except par value)	September 30, 2020	December 31, 2019
Assets:		
Investments:		
Fixed maturity securities, at fair value (amortized cost $1,121,568 in 2020 and $1,030,806 in 2019)	$ 1,126,949	$ 1,072,560
Equity securities, at fair value (cost $242,566 in 2020 and $238,063 in 2019)	174,278	193,753
Short-term investments, at fair value which approximates cost	60,734	158,717
Mortgage loans, at fair value which approximates amortized cost	18,672	
Other investments	112,169	191,363
Derivative assets, at fair value (cost $31,333 in 2020 and $46,837 in 2019)	2,046	4,537
Assets pledged for derivative obligations, at fair value (amortized cost $6,925 in 2020 and $10,580 in 2019)	6,946	10,594
Total investments	1,501,794	1,631,524
Cash	86,686	17,918
Accrued investment income	7,377	7,568
Premiums receivable	42,127	41,877
Reinsurance recoverables	41,823	40,156
Deferred policy acquisition costs	14,230	12,788
Deferred tax asset	44,912	47,607
Income tax receivable	1,816	2,431
Operating lease right-of-use assets	18,889	23,164
Goodwill	20,985	20,985
Other assets	59,700	57,794
Total assets	$ 1,840,339	$ 1,903,812
Liabilities:		
Unpaid losses and loss adjustment expenses	$ 1,059,119	$ 1,085,865
Unearned premiums	99,704	89,861
Policyholders’ dividends accrued	36,814	37,857
Long-term debt	38,275	38,253
Operating lease liabilities	20,492	25,044
Derivative liabilities	1,677	1,819
Other liabilities	95,401	67,743
Total liabilities	1,351,482	1,346,442
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	399,091	399,097
Retained earnings	96,308	162,336
Accumulated other comprehensive loss	(6,581)	(4,102)
Total stockholders’ equity	488,857	557,370
Total liabilities and stockholders’ equity	$ 1,840,339	$ 1,903,812

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 September 30,		Nine Months Ended September 30,	
(In thousands)	2020	2019	2020	2019
Revenues:				
Net premiums earned	$ 166,901	$ 186,132	$ 471,202	$ 549,406
Net investment income (loss)	4,449	3,543	(10,259)	10,351
Net realized gains (losses) on investments	(9,452)	431	21,093	(6,630)
Change in net unrealized gains/losses on fair value option investments	31,144	(25,687)	(63,686)	18,253
Net gains (losses) on derivatives	1,663	(7,077)	(32,587)	(30,763)
Service fee income	1,329	2,061	5,367	6,182
Total revenues	196,034	159,403	391,130	546,799
Expenses:				
Losses and loss adjustment expenses incurred	88,080	89,581	237,665	243,885
Underwriting and other operating expenses:				
Policyholder acquisition costs	32,394	34,876	94,126	102,996
Underwriting and other costs	32,789	34,663	94,123	101,588
Policyholders’ dividends	4,285	5,507	13,157	16,559
Interest expense	830	830	2,490	2,490
Total expenses	158,378	165,457	441,561	467,518
Income (loss) before tax	37,656	(6,054)	(50,431)	79,281
Income tax expense (benefit)	8,196	(788)	(10,303)	16,328
Increase in valuation allowance			25,900	
Net income (loss)	$ 29,460	$ (5,266)	$ (66,028)	$ 62,953
Net change in unrealized gains/losses on investments, net of tax and reclassification adjustment	(1,275)	(1,910)	(3,176)	(2,648)
Net change in unrealized foreign currency translation adjustment, net of tax and reclassification adjustment	49	377	697	1,995
Other comprehensive loss	(1,226)	(1,533)	(2,479)	(653)
Total comprehensive income (loss)	$ 28,234	$ (6,799)	$ (68,507)	$ 62,300

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

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

	Nine Months Ended September 30,	
(In thousands)	2020	2019
Cash flows from operating activities:		
Premiums collected	$ 512,779	$ 565,682
Investment income received	17,730	13,924
Losses and loss adjustment expenses paid	(264,821)	(290,512)
Underwriting and other operating expenses paid	(198,849)	(214,703)
Interest paid	(3,292)	(3,292)
Income taxes paid	(11,628)	(23,262)
Net cash provided by operating activities	51,919	47,837
Cash flows from investing activities:		
Purchases of investments:		
Fixed maturity securities – fair value option	(611,222)	(68,116)
Equity securities – fair value option	(90)	(3,344)
Corporate loan – affiliate		(12,302)
Mortgage loans	(18,636)	
Derivatives		(1,151)
Other investments	(3,335)	(8,006)
Proceeds from maturities and redemptions of investments:		
Fixed maturity securities – fair value option	452,990	81,280
Corporate loan - affiliate		2,702
Proceeds from sales of investments:		
Fixed maturity securities – fair value option	79,174	76,267
Equity securities – fair value option	19,542	13,129
Other investments	19,620	2,844
Net (increase) decrease in short-term investments	115,409	(48,864)
Net derivative cash settlements	(29,974)	(41,925)
Capital expenditures and other	(2,236)	(2,471)
Net cash provided by (used in) investing activities	21,242	(9,957)
Cash flows from financing activities:		
Dividends paid to common stockholders		(30,650)
Purchase of Fairfax shares for restricted stock awards	(4,393)	(5,111)
Net cash used in financing activities	(4,393)	(35,761)
Net increase in cash	68,768	2,119
Cash at beginning of period	17,918	29,667
Cash at end of period	$ 86,686	$ 31,786

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

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

	Nine Months Ended September 30,	
(In thousands)	2020	2019
Reconciliation of net income (loss) to net cash provided by operating activities:		
Net income (loss)	$ (66,028)	$ 62,953
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation expense	2,064	2,555
Net amortization (accretion)	1,521	(11,735)
Net realized losses (gains) on investments	(21,093)	6,630
Change in net unrealized gains/losses on fair value option investments	63,686	(18,253)
Net losses on derivatives	32,587	30,763
Equity in losses/earnings of investee	27,426	15,853
Stock-based compensation expense	4,387	4,555
Decrease (increase) in:		
Accrued investment income	191	(1,407)
Premiums receivable	19,177	(7,979)
Reinsurance recoverables	(1,668)	6,445
Deferred policy acquisition costs	(1,442)	(2,237)
Net income taxes	3,969	(6,935)
Increase (decrease) in:		
Unpaid losses and loss adjustment expenses	(26,746)	(53,894)
Unearned premiums	9,843	16,799
Policyholders’ dividends accrued	(1,043)	(560)
Accrued expenses	6,633	4,793
Interest payable	(823)	(823)
Other	(722)	314
Net cash provided by operating activities	$ 51,919	$ 47,837

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

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

	Nine Months Ended September 30,	
(In thousands)	2020	2019
Common stock:	$ 39	$ 39
Additional paid-in capital:		
Beginning of period	399,097	398,340
Stock-based compensation expense	4,387	4,555
Purchases of Fairfax shares for restricted stock awards	(4,393)	(5,111)
End of period	399,091	397,784
Retained earnings:		
Beginning of period	162,336	145,515
Net income (loss)	(66,028)	62,953
Reclassification of net unrealized losses on available-for-sale investments and cost-method partnerships from other comprehensive loss at January 1, 2019		(3,126)
Dividends to common stockholders		(30,650)
End of period	96,308	174,692
Accumulated other comprehensive loss:		
Beginning of period	(4,102)	(6,724)
Reclassification of net unrealized losses on available-for-sale investments and cost-method partnerships to retained earnings at January 1, 2019		3,126
Net change in unrealized gains/losses on investments, net of tax and reclassification adjustment	(3,176)	(2,648)
Change in unrealized foreign currency translation adjustment, net of tax and reclassification adjustment	697	1,995
End of period	(6,581)	(4,251)
Total stockholders' equity	$ 488,857	$ 568,264

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, 2019.

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.

Adopted Accounting Standards

Below is information regarding accounting standards that the Company adopted during the period for which the Financial Statements have been presented.

Callable Debt Securities – Accounting for Premium Amortization

Effective January 1, 2020, the Company adopted the updated guidance for certain callable debt securities held at a premium. The guidance requires the premium to be amortized to the earliest call date, however, securities held at a discount will continue to be amortized to maturity. The adoption of this guidance did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Changes to the Disclosure Requirements for Fair Value Measurements

Effective January 1, 2020, the Company adopted the updated guidance which changes the fair value measurement disclosure requirements. The updated guidance removes certain disclosure requirements regarding the amounts and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy and the policy for timing of transfers between the levels. The updated guidance also adds disclosure requirements regarding unrealized gains and losses included in Other comprehensive income (loss) for recurring Level 3 fair value measurements and the range and weighted average of unobservable inputs used in Level 3 fair value measurements. The adoption of this guidance did not have a material impact on the Company's financial statements.

Accounting for Cloud Computing Implementation Costs

Effective January 1, 2020, the Company early adopted the updated guidance to reduce complexity for the accounting for costs of implementing a cloud computing service arrangement. The new guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The adoption of this guidance did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Accounting for Variable Interest Entities

Effective January 1, 2020, the Company early adopted the updated guidance that expands the application of a specific private company accounting alternative related to variable interest entities and changes how entities evaluate decision-making fees under the variable interest guidance. Entities will consider indirect interests held through related parties under common control on a proportionate basis rather than in their entirety. Entities are required to apply the amendments retrospectively. The adoption of this guidance did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Recent Accounting Standards Not Yet Adopted

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued new guidance which requires a financial asset (or a group of financial assets) measured at amortized cost to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value of the amount expected to be collected on the financial asset. The guidance broadens the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually; measurement of expected credit losses will be based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Furthermore, the new guidance requires credit losses relating to available-for-sale securities to be recorded through an allowance for credit losses, and an entity will be able to record reversals of credit losses in current period net income. The guidance is effective for annual periods beginning after December 15, 2020 and interim periods thereafter. All entities may adopt this guidance as early as periods beginning after December 15, 2018. The guidance is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Goodwill Impairment

In January 2017, the FASB issued new guidance to simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Under the new guidance, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. The guidance will be effective for annual periods or any interim goodwill impairment tests beginning after December 15, 2021. Early adoption is permitted. The guidance is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

COVID-19 pandemic

The rapid spread of the COVID-19 virus, which was declared by the World Health Organization to be a pandemic on March 11, 2020, and actions taken globally in response to COVID-19, have significantly disrupted business activities throughout the world.

Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the global economy and the Company's businesses in particular, or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including new information which may emerge concerning the severity of COVID-19 and additional actions which may be taken to contain COVID-19, as well as the timing of the re-opening of the economy in various parts of the world. Such further developments could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

The Company’s workers’ compensation business is highly correlated to economic cycles given that premium is based on insureds’ payrolls. Also, various government officials, including U.S. state insurance commissioners, have taken actions to protect small businesses from hardship caused by COVID-19 which in the aggregate may adversely impact the Company's results of operations in the near term. Premium earned in the three and nine months ended September 30, 2020 decreased compared to the same period in 2019, reflecting adjusted insureds’ payrolls at the individual policy level from the impact of COVID-19, as well as a provision for the estimated reduction in insureds’ payrolls that have not yet been reported to us. The economic shut down of businesses and reduced payroll exposure also resulted in reduced frequency of claims starting in the second quarter of 2020, which was offset by the estimated impact of COVID-19-related claims. At September 30, 2020, there was $2.8 million of incurred losses reported on COVID-19 claims. In addition, $12.2 million of incurred but not reported reserves were established based principally on the California Workers’ Compensation Insurance Rating Bureau’s COVID-19 estimation methodology.

The Company maintains adequate liquidity to support its operations. At September 30, 2020, investments with a fair value of approximately $932 million were on deposit with regulatory authorities for the protection of policyholder obligations in compliance with insurance company regulations. At September 30, 2020, the Company had additional qualifying securities with a fair value of approximately $285 million available for deposit.

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 November 6, 2020.

Note 2. Investments

The cost or amortized cost and fair value of investments recorded at fair value at September 30, 2020 and December 31, 2019 were as follows:

(In thousands)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
September 30, 2020				
Fair value option investments:				
Fixed maturity securities:				
State and local government debt	$ 10,395	$ 708		$ 11,103
U.S. Government debt (a)	1,079,992	5,723	(20)	1,085,695
Corporate debt	37,166	1,000	$ (2,009)	36,157
Total fixed maturity securities	1,127,553	7,431	(2,029)	1,132,955
Equity securities (b)	242,566	9,718	(78,006)	174,278
Short-term investments (c)	61,674			61,674
Other investments – affiliate corporate loans	16,697	367		17,064
Other investments – cost-method partnerships	31,864	2,345	(4,891)	29,318
Mortgage loans	18,672			18,672
Total fair value option investments	**$ 1,499,026**	**$ 19,861**	**$ (84,926)**	**$ 1,433,961**
December 31, 2019				
Fair value option investments:				
Fixed maturity securities:				
State and local government debt	$ 55,655	$ 38,741		$ 94,396
U.S. Government debt (a)	962,622	2,071	$ (20)	964,673
Corporate debt	22,167	1,394	(420)	23,141
Total fixed maturity securities	1,040,444	42,206	(440)	1,082,210
Equity securities	238,063	26,055	(70,365)	193,753
Short-term investments (c)	159,531	133	(3)	159,661
Other investments – affiliate corporate loans	15,712	811		16,523
Other investments – cost-method partnerships	29,649	2,794	(2,570)	29,873
Total fair value option investments	**$ 1,483,399**	**$ 71,999**	**$ (73,378)**	**$ 1,482,020**

(a) Includes investments of $6.0 million and $9.6 million pledged for derivative obligations at September 30, 2020 and December 31, 2019, respectively.
(b) The increase in gross unrealized losses on equity securities from December 31, 2019 to September 30, 2020 were primarily driven by the impact of changes in fair value attributable to the recent disruption in global financial markets associated with the COVID-19 global pandemic, as discussed in Note 1.
(c) Includes investments of $0.9 million pledged for derivative obligations at September 30, 2020 and December 31, 2019, respectively.

Fixed maturity securities, including short-term investments, by contractual maturity at September 30, 2020 were as follows:

(In thousands)	Amortized Cost	Fair Value
Due in one year or less	$ 1,019,110	$ 1,024,852
Due after one year through five years	152,635	152,107
Due after five years through ten years	14,684	14,839
Due after ten years	2,798	2,831
Total	$ 1,189,227	$ 1,194,629

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.

Total investments at September 30, 2020 also include other investments detailed below and derivative contracts described in Note 3.

Other investments consist of the following:

(In thousands)	September 30, 2020	December 31, 2019
Equity-method common stock (a)	$ 65,787	$ 132,860
Equity-method partnerships (b)		12,107
Cost-method partnerships, at fair value (cost $31,864 in 2020 and $29,649 in 2019) (c)	29,318	29,873
Affiliate corporate loans (cost $16,697 in 2020 and $15,712 in 2019)	17,064	16,523
Total other investments	$ 112,169	$ 191,363

(a) Investments in common stock, partnerships and limited liability companies 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 since the initial acquisition. The decrease in the carrying value of equity-method common stock from December 31, 2019 to September 30, 2020 was primarily due to the sale of Apple Bidco in the first quarter of 2020, the Company's share of investee losses recognized, mostly on a one-quarter lag, from the economic effects of COVID-19 and an other-than-temporary impairment write-down recorded for Fairfax Africa Holdings Corp. in the third quarter of 2020. See Note 5.

(b) The decrease in equity-method partnerships was due to the sale of Davos Brands LLC on September 30, 2020. See Note 5.

(c) 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. Effective January 1, 2019, upon adoption of the updated guidance for financial instruments, changes in fair value of cost-method partnerships are recorded in change in net unrealized gains/losses on fair value option investments. Prior to the adoption of this updated accounting guidance, changes in fair value of cost-method partnerships were recorded in other comprehensive income/loss.

At September 30, 2020, the Company had commitments to invest an additional $19.4 million in partnerships and limited liability companies.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2020	2019	2020	2019
Sales of fixed maturity securities, including short-term investments and other (a)	$ (987)	$ 498	$ 27,253	$ (7,372)
Sale of equity securities (b)		(219)	2,808	(3,256)
Gains (losses) from other investments (c)	(8,465)	152	(8,968)	3,998
Net realized gains (losses) on investments	$ (9,452)	$ 431	$ 21,093	$ (6,630)

(a) Net realized gains on sales of fixed maturity securities, including short-term investments and other in the nine months ended September 30, 2020 include $26.8 million of realized gains on sales of fair value option fixed maturity securities to affiliates of Fairfax and the Company. See Note 5.

In June 2019, Exco Resources, Inc. (“Exco”), an affiliate of Fairfax and the Company, emerged from bankruptcy protection and settled the Company's Exco bonds with common shares, resulting in the Company recording a net loss on investment of $4.6 million in the nine months ended September 30, 2019 (realized losses of $7.8 million, of which $3.2 million was previously recorded as unrealized losses at December 31, 2018). See Note 5.

(b) Net realized gains on sales of equity securities in the nine months ended September 30, 2020 include realized gains of $2.8 million on the sale of Eurobank Ergasias S.A. common stock to an affiliate of Fairfax and the Company. See Note 5.

Net realized losses on sales of equity securities in the nine months ended September 30, 2019 included realized foreign exchange losses of $2.7 million on the return of capital distribution from a privately held common stock investment and realized losses of $1.7 million on the conversion of AGT Food and Ingredients Inc. (“AGT”) preferred stock to common stock as a result of the AGT privatization transaction. AGT is a majority owned subsidiary of Fairfax. See Note 5. Realized losses on equity securities in the nine months ended September 30, 2019 were partially offset by realized gains of $1.3 million on the sale of two fair value option common stock investments.

(c) Net realized losses from other investments in the nine months ended September 30, 2020 include an other-than-temporary impairment charge of $16.6 million on an equity-method common stock investment in Fairfax Africa Holdings Corp.; an other-than-temporary impairment charge of $4.0 million on an equity-method common stock investment in Astarta Holdings NV; partially offset by an $8.0 million realized gain on the sale of an equity-method partnership investment in Davos Brands LLC and a $2.7 million dilution gain on an equity-method common stock investment in Boat Rocker Media Inc. See Note 5.

In the nine months ended September 30, 2019, the Company derecognized its investment in Grivalia Properties REIC equity-method common stock upon its merger into Eurobank Ergasias S. A. and recognized a non-cash gain of $2.7 million on this transaction. See Note 5.

The changes in net unrealized gains/losses on investments recognized as a separate component of stockholders’ equity and were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2020	2019	2020	2019
Equity-method common stock	$ 160	$ (2,469)	$ (2,350)	$ (3,567)
Equity-method partnerships	(1,773)	51	(1,670)	216
Total before tax	$ (1,613)	$ (2,418)	$ (4,020)	$ (3,351)
After tax	$ (1,275)	$ (1,910)	$ (3,176)	$ (2,648)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2020	2019	2020	2019
Change in net unrealized gains/losses recognized on fair value option investments	$ 31,144	$ (25,687)	$ (63,686)	$ 18,253
Less: Net losses (gains) recognized on fair value option investments sold (a)	(667)	425	(40,543)	4,857
Change in net unrealized gains/losses recognized on fair value option investments still held at the reporting date (b)	$ 31,811	$ (26,112)	$ (23,143)	$ 13,396

(a) Net gains recognized during the nine months ended September 30, 2020 are primarily related to the sale of municipal bonds to affiliates of Fairfax. See Note 5.

(b) The change in net unrealized gains/losses recognized on fair value option investments still held at September 30, 2020 in the three and nine months ended September 30, 2020 is primarily a result of the economic effects of COVID-19 as discussed in Note 2.

Net investment income (loss) was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2020	2019	2020	2019
Fixed maturity securities (a)	$ 5,065	$ 7,638	$ 16,239	$ 22,890
Equity securities	477	479	2,097	3,796
Derivatives	729	575	2,027	1,538
Short-term and other investments (a)	425	1,374	1,887	3,604
Mortgage loans	90		90	
Loss from equity-method investments (b)	(703)	(4,647)	(27,426)	(15,853)
Subtotal	6,083	5,419	(5,086)	15,975
Investment expenses	1,634	1,876	5,173	5,624
Net investment income (loss)	$ 4,449	$ 3,543	$ (10,259)	$ 10,351

(a) Income from fixed maturity securities in the third quarter and nine months ended September 30, 2020 decreased compared to the corresponding periods of 2019, primarily due maturities of higher yielding short-dated U.S. treasury bonds and notes, and the reinvestment of the proceeds into lower yielding U.S. treasury bonds.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2020	2019	2020	2019
Toys R Us Canada (1)	$	$ (1,250)	$ (11,312)	$ 3,920
Fairfax Africa Holdings Corp.	(328)	(1,226)	(9,095)	(6,292)
Boat Rocker Media Inc.	(1,191)	(776)	(5,055)	247
Farmers Edge Inc.	(1,178)	(1,035)	(3,967)	(3,814)
Apple Bidco		(314)	(1,232)	(6,054)
Davos Brands LLC	(200)	(349)	(883)	(1,429)
Fairfax India Holdings Corp.	488	(514)	3,093	(605)
Peak Achievement Athletics	1,234	1,007	905	123
Astarta Holdings NV			651	(1,190)
Other	472	(190)	(531)	(759)
Loss from equity-method investments	$ (703)	$ (4,647)	$ (27,426)	$ (15,853)

(1) The Company received GAAP financial statements of Toys “R” Us (Canada) Ltd. (“TRU”), as of December 28, 2019 (audited) in the second quarter 2020 and most recently as of August 29, 2020 (unaudited). Based on this information, the Company’s additional share of TRU’s cumulative losses through August 29, 2020 was $20.0 million. The Company recorded equity in losses of TRU of $7.6 million in the second quarter 2020 that reduced the carrying value of its investment in TRU to zero. The remaining share of the TRU’s losses not yet recognized in the Company’s results as of September 30, 2020 was approximately $12.4 million.

Note 3. Derivative Contracts

Derivative contracts entered into by the Company are considered investments or economic hedges and are not designated as accounting hedges. Derivatives are carried at fair value on the Consolidated Balance Sheets with changes in fair value recorded in the Consolidated Statements of Comprehensive Income (Loss) as net gains/losses on derivatives. The fair value of derivatives in a gain position is presented as derivative assets on the Consolidated Balance Sheets. The fair value of derivatives in a loss position are presented as derivative liabilities on the Consolidated Balance Sheets. The initial premium paid for a derivative contract, if any, would be recorded as a derivative asset and subsequently adjusted for changes in the fair value of the contract at each balance sheet date. Cash settlements related to fair value changes on derivative contracts 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. Securities received from counterparties as collateral are not recorded as assets of the Company. Securities delivered to counterparties as collateral for derivative contracts are reflected as assets pledged for derivative obligations on the Consolidated Balance Sheets.

The following table summarizes the notional amount, cost and fair value of derivative contracts:

	Notional		Fair Value of Derivative	
(In thousands)	Amount	Cost	Assets	Liabilities
September 30, 2020				
CPI-linked derivatives	$ 4,856,239	$ 23,814	$ 909	
Foreign currency options	437,500	7,519	427	
Long equity total return swaps	43,887		710	$ 1,579
Foreign exchange forwards	46,266			98
Total		$ 31,333	$ 2,046	$ 1,677
December 31, 2019				
CPI-linked derivatives	$ 7,477,246	$ 39,318	$ 671	
Foreign currency options	437,500	7,519	820	
U.S. government bond forwards	97,000			$ 659
Long equity total return swaps	52,591		3,046	121
Foreign exchange forwards	60,613			1,039
Total		$ 46,837	$ 4,537	$ 1,819

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2020	2019	2020	2019
Gains (losses) on settlements				
Equity derivatives:				
Equity total return swaps – long positions	$ 384	$ 2,230	$ (8,704)	$ (17,668)
U.S. government bond forwards		(11,555)	(24,531)	(25,221)
CPI-linked derivatives			(15,504)	
Foreign exchange forwards	(726)	(560)	2,997	532
Total	(342)	(9,885)	(45,742)	(42,357)
Change in fair value				
Equity derivatives:				
Equity total return swaps – long positions	1,416	(346)	(3,794)	10,732
Equity warrants				(20)
Equity index put options		(129)		(129)
U.S. government bond forwards		3,281	659	7,659
CPI-linked derivatives	(313)	465	15,742	(753)
Foreign exchange forwards	559	1,934	941	337
Foreign currency options	343	(2,397)	(393)	(6,232)
Total	2,005	2,808	13,155	11,594
Net gains (losses) on derivatives				
Equity derivatives:				
Equity total return swaps – long positions	1,800	1,884	(12,498)	(6,936)
Equity warrants				(20)
Equity index put options		(129)		(129)
U.S. government bond forwards		(8,274)	(23,872)	(17,562)
CPI-linked derivatives	(313)	465	238	(753)
Foreign exchange forwards	(167)	1,374	3,938	869
Foreign currency options	343	(2,397)	(393)	(6,232)
Total net gains (losses) on derivatives	$ 1,663	$ (7,077)	$ (32,587)	$ (30,763)

Equity Derivative Contracts

The Company's long equity total return swaps allow the Company to receive the total return on a notional amount of an individual equity (including dividends and capital gains or losses) in exchange for the payment of a floating rate of interest on the notional amount. Interest and dividends were recorded in investment income in the Consolidated Statements of Comprehensive Income (Loss). These swaps require no initial net cash investment and at inception the fair value was zero. The Company's long equity total return swaps contain contractual reset provisions requiring counterparties to cash-settle on a quarterly basis any fair value movements arising subsequent to the prior settlement date. To the extent that a contractual reset date did not correspond to the balance sheet date, the Company adjusted the carrying value of the corresponding derivative asset or liability associated with each long equity total return swap contract to reflect its fair value at the balance sheet date with the offset to net gains/losses on derivatives in the Consolidated Statements of Comprehensive Income (Loss).

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). At September 30, 2020, these contracts had a remaining weighted average life of approximately 3 years. During the nine months ended September 30, 2020 certain CPI-linked derivative contracts with a notional amount of $2.1 billion and $0.5 billion referenced to CPI indexes in the United States and European Union, respectively, matured.

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 at September 30, 2020 and December 31, 2019:

	Notional Amount		Weighted Average Strike Price	
(Notional amount in thousands)	Original Currency	US Dollars	In Original Currency	Index Value
Underlying CPI Index:				
September 30, 2020				
United States	2,980,000	$ 2,980,000	235.47	260.28
European Union	1,600,000	1,876,239	99.26	104.54
		$ 4,856,239		
December 31, 2019				
United States	5,120,000	$ 5,120,000	233.02	256.97
European Union	2,100,000	2,357,246	97.66	105.13
		$ 7,477,246		

U.S. Government Bond Forward Contracts

To reduce its exposure to interest rate risk (specifically exposure to state and local government bonds and long-dated U.S. treasury bonds held in its fixed income portfolio), the Company entered into forward contracts to sell long dated U.S. treasury bonds with a notional amount of $97.0 million at December 31, 2019. These contracts had an average term to maturity of less than one year and may be renewed at market rates. In April 2020, the Company terminated all of the outstanding U.S. government bond forward contracts with a notional amount of $97.0 million and recognized a loss of $24.5 million in the nine months ended September 30, 2020.

Foreign Exchange Forward Contracts

The Company is currently exposed to currency rate fluctuations through its holding of foreign investments. Foreign currency contracts denominated in Euros are used to manage certain foreign currency exposures arising from foreign currency denominated investments. These foreign currency contracts 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 Risk

The Company endeavors to limit counterparty risk through the terms of master netting agreements negotiated with the counterparties to its derivative contracts. Pursuant to these agreements, the counterparties to these transactions are 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. Agreements negotiated with counterparties also 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").

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

(In thousands)	September 30, 2020	December 31, 2019
Total derivative assets	$ 2,046	$ 4,537
Impact of net settlement arrangements	(147)	(779)
Fair value of collateral deposited for the benefit of the Company	(1,899)	(3,126)
Net derivative counterparty exposure after net settlement and collateral arrangements	$	$ 632

The net derivative counterparty exposure after net settlement and collateral arrangements relates principally to the timing of collateral placement and no contractual collateral required for the foreign exchange forward contracts.

At September 30, 2020 and December 31, 2019, the Company pledged to its counterparties securities with a fair value of $6.9 million and $10.6 million, respectively, as independent and mark-to-market collateral for CPI-linked, U.S. government bond forwards (in 2019 only) and long equity total return swaps derivatives and recorded this amount as assets pledged for derivative obligations in the Consolidated Balance Sheets.

At September 30, 2020, the counterparties pledged for the Company's benefit $0.3 million of cash and $1.9 million of U.S. treasury notes compared to $0.3 million of cash and $3.1 million of U.S. treasury notes at December 31, 2019. The Company recorded the cash collateral as other assets in the Company's Consolidated Balance Sheets and recognized a corresponding liability. The Company does not record in the Consolidated Balance Sheets securities pledged by counterparties as collateral for derivatives in a gain position.

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
September 30, 2020				
Derivative assets:				
Citibank, N.A.	$ 1,904	$ (147)	$ (1,757)	
Deutsche Bank AG London	142		(142)	
Total derivative assets	$ 2,046	$ (147)	$ (1,899)	
Derivative liabilities:				
Citibank, N.A.	$ (147)	$ 147		
Bank of America	(1,432)		$ 1,430	$ (2)
Bank of New York Mellon (b)	(98)			(98)
Total derivative liabilities	$ (1,677)	$ 147	$ 1,430	$ (100)
December 31, 2019				
Derivative assets:				
Citibank, N.A.	$ 3,973	$ (762)	$ (2,579)	$ 632
Deutsche Bank AG London	80		(80)	
Bank of America	484	(17)	(467)	
Total derivative assets	$ 4,537	$ (779)	$ (3,126)	$ 632
Derivative liabilities:				
Citibank, N.A.	$ (762)	$ 762		
Bank of New York Mellon (b)	(1,040)			$ (1,040)
Bank of America	(17)	17		
Total derivative liabilities	$ (1,819)	$ 779		$ (1,040)

(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) 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.

Considerable judgment may be required particularly in developing estimates of fair value for financial instruments classified as Level 3 in the fair value hierarchy as such estimates incorporate market unobservable inputs that require management to use its own assumptions. While the Company's valuation techniques for Level 3 financial instruments remained unchanged during the third quarter of 2020, the development of market unobservable inputs included added estimation uncertainty due to the global economic and social disruption caused by the ongoing and developing COVID-19 pandemic. Estimates of the amount and timing of future cash flows, discount rates, growth rates and other inputs incorporated into fair value measurements of Level 3 financial instruments are inherently more difficult to determine due to the unpredictable duration and impacts of the COVID-19 pandemic, including further actions that may be taken by governments to contain it and the timing of the re-opening of the economy in various parts of the world. The Company has assumed that the economic impacts of COVID-19 will remain for the duration of government mandated restrictions by jurisdiction as currently known, with gradual lifting of those restrictions. The uncertainty in those assumptions have been incorporated into the company's valuations of Level 3 financial instruments primarily through wider credit spreads and higher discount rates, as applicable. Additional volatility in the fair values of Level 3 financial instruments may arise in future periods if actual results differ materially from the Company's estimates.

There were no other significant changes to the valuation techniques and processes used at September 30, 2020 compared to those described in the Company’s Consolidated Financial Statements at December 31, 2019.

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, foreign exchange forward contracts and U.S. Government bond forward contracts) 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 net asset value per share ("NAV") 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. 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 at September 30, 2020 and December 31, 2019 classified by the valuation hierarchy discussed previously:

		Fair Value Measurements Using		
	Total	Level 1	Level 2	Level 3
September 30, 2020				
Fair value option securities:				
Fixed maturity securities:				
State and local government debt	$ 11,103		$ 11,103	
U.S. government debt	1,085,695		1,085,695	
Corporate debt	36,157		30,441	$ 5,716
Total fixed maturity securities	1,132,955		1,127,239	5,716
Equity securities (a)	174,278	$ 118,641	4,364	16,372
Short-term investments	61,674	61,674		
Other investments - affiliate corporate loans	17,064			17,064
Other investments - cost-method partnerships (a)	29,318			
Mortgage loans	18,672			18,672
Total fair value option investments	$ 1,433,961	$ 180,315	$ 1,131,603	$ 57,824
Derivatives:				
Equity total return swaps – long positions	$ 710		$ 710	
Foreign currency options	427		427	
CPI-linked derivatives	909			$ 909
Total derivative assets	2,046		1,137	909
Equity total return swaps – long positions	(1,579)		(1,579)	
Foreign exchange forwards	(98)		(98)	
Total derivative liabilities	(1,677)		(1,677)	
Net derivatives	$ 369		$ (540)	$ 909

		Fair Value Measurement Using		
(In thousands)	Total	Level 1	Level 2	Level 3
December 31, 2019				
Fair value option securities:				
Fixed maturity securities:				
State and local government debt	$ 94,396		$ 94,396	
U.S. government debt	964,673		964,673	
Corporate debt	23,141		15,299	$ 7,842
Total fixed maturity securities	1,082,210		1,074,368	7,842
Equity securities (a)	193,753	$ 143,467		17,038
Short-term investments	159,661	153,650	6,011	
Other investments – affiliate corporate loans	16,523			16,523
Other investments – cost-method partnerships (a)	29,873			
Total fair value option investments	$ 1,482,020	$ 297,117	$ 1,080,379	$ 41,403
Derivatives:				
Equity total return swaps – long positions	$ 3,046		$ 3,046	
Foreign currency options	820		820	
CPI-linked derivatives	671			$ 671
Total derivative assets	4,537		3,866	671
Equity total return swaps – long positions	(121)		(121)	
U.S. Government bond forwards	(659)		(659)	
Foreign exchange forwards	(1,039)		(1,039)	
Total derivative liabilities	(1,819)		(1,819)	
Net derivatives	$ 2,718		$ 2,047	$ 671

(a) Certain common stock investments with a fair value of $34.9 million and $33.2 million at September 30, 2020 and December 31, 2019, respectively, and cost-method partnership investments measured using the NAV practical expedient carried at amortized cost have not been classified in the fair value hierarchy. 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.

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

(In thousands)	Corporate Debt	Equity Securities (a)	Derivatives	Affiliate Corporate Loans	Mortgage Loans
Balance at June 30, 2020	$ 5,281	$ 15,266	$ 1,222	$ 16,674	
Purchases					$ 18,636
Realized and unrealized gains/losses included in:					
Change in net unrealized gains/losses on fair value option investments	435	1,106		390	
Net losses on derivatives			(313)		
Net investment income					36
Balance at September 30, 2020	$ 5,716	$ 16,372	$ 909	$ 17,064	$ 18,672
Balance at December 31, 2019	$ 7,842	$ 17,038	$ 671	$ 16,523	
Purchases				985	$ 18,636
Realized and unrealized gains/losses included in:					
Change in net unrealized gains/losses on fair value option investments	(2,126)	(666)		(444)	
Net gains on derivatives			238		
Net investment income					36
Balance at September 30, 2020	$ 5,716	$ 16,372	$ 909	$ 17,064	$ 18,672

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

(In thousands)	Corporate Debt	Equity Securities (a)	Derivatives	Affiliate Corporate Loans
Balance at June 30, 2019	$ 7,757	$ 21,293	$ 1,085	$ 16,475
Realized and unrealized gains/losses included in:				
Change in net unrealized gains/losses on fair value option investments	9	(589)		(292)
Net gains on derivatives			465	
Transfers out of Level 3 (b)		(5,727)		
Balance at September 30, 2019	$ 7,766	$ 14,977	$ 1,550	$ 16,183
Balance at December 31, 2018	$ 17,862	$ 24,815	$ 2,303	$ 6,365
Purchases		5,727		12,302
Sales and maturities	(5,914)	(11,484)		(2,702)
Realized and unrealized gains/losses included in:				
Change in net unrealized gains/losses on fair value option investments	3,588	6,028		218
Net realized loss on investments	(7,811)	(4,382)		
Net losses on derivatives			(753)	
Net investment income – accretion of discounts	41			
Transfers out of Level 3 (b)		(5,727)		
Balance at September 30, 2019	$ 7,766	$ 14,977	$ 1,550	$ 16,183

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

(b) Transfer out of Level 3 represents AGT Food and Ingredients Inc. common stock for which equity-method accounting commenced in the third quarter of 2019. See Note 5.

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"), a Fairfax affiliate. Investment management expenses incurred under these agreements in the three and nine months ended September 30, 2020 were $1.0 million and $3.3 million, respectively, and $1.3 million and $3.7 million, respectively, for the comparable periods of 2019.

The Company owns common stock in publicly-traded and private companies and invests in limited partnerships which are affiliates of Fairfax (including but not limited to investments described in the following paragraphs). These investments are recorded using the equity method of accounting, unless a fair value option is elected for such securities. See Note 2 for additional information related to equity-method investments. The aggregate value of the Company's equity-method investments in Fairfax affiliates recorded in the Consolidated Balance Sheets was $65.8 million and $145.0 million at September 30, 2020 and December 31, 2019, respectively. The Company's share of net income/loss of the equity-method investees was recorded in net investment income. Net realized gains/losses on sales and on dilution resulting from additional shares issued or bought back by equity-method investees, as well as other-than-temporary impairment of equity-method investments, if any, are recorded in net realized gains/losses on investments. The Company's share of other changes in investees' equity was recorded in net change in net unrealized gain/losses in Other Comprehensive Income (Loss). Net unrealized gains/losses on foreign currency translation adjustment related to the Company's equity-method investments are recorded in the change in unrealized foreign currency translation adjustment in Other Comprehensive Income (Loss).

The aggregate value of the Company's affiliated investments at September 30, 2020 and December 31, 2019 was as follows:

(In thousands)	September 30 2020	December 31, 2019
Fixed maturity securities, at fair value option	$ 14,880	$ 5,080
Equity securities, at fair value option	65,089	53,484
Other invested assets:		
Equity-method common stock	65,787	132,860
Equity-method partnerships		12,107
Affiliate corporate loans	17,064	16,523
Total	$ 162,820	$ 220,054

The following table summarizes the impact from the Company's affiliated investments on various components of Total Comprehensive Income (Loss):

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2020	2019	2020	2019
Included in Net Income (Loss):				
Net investment income (loss)	$ 302	$ (3,944)	$ (24,839)	$ (14,003)
Net realized losses on investments	(8,549)		(9,879)	(5,691)
Change in net unrealized gains/losses on fair value option investments	6,341	(4,137)	(10,242)	2,785
Included in Other Comprehensive Income (Loss):				
Net change in unrealized gains/losses on investments, before tax	(1,613)	(2,418)	(4,020)	(3,351)
Change in unrealized foreign currency translation adjustment, before tax	61	477	882	2,525
Total	(3,458)	(10,022)	(48,098)	(17,735)

The Company owns common shares in various mutual fund classes of HWIC Asia which is a wholly-owned subsidiary of Fairfax. The Company elected the fair value option of accounting for its investment in HWIC Asia common stock. At September 30, 2020 and December 31, 2019, the aggregate fair value of these investments was $34.9 million and $33.2 million, respectively. Changes in fair value for these investments are recorded in the change in net unrealized gains/losses on fair value option investments in the Consolidated Statements of Comprehensive Income (Loss). During the nine months ended September 30, 2020, the Company recorded a net increase in unrealized gains/losses of $1.7 million on these investments, compared to a net decrease in unrealized gains/losses of $6.1 million during the nine months ended September 30, 2019.

The Company owns common stock of Recipe Unlimited Corp. ("Recipe"), a majority-owned subsidiary of of Fairfax. The Company elected the fair value option of accounting for its investment in Recipe common stock. On March 30, 2020, the Company exchanged its investment in subordinate voting shares of Recipe for the same number of multiple voting shares of Recipe at the same price with RiverStone Insurance (UK) Limited and TIG Insurance (Barbados) Limited, both affiliates of Fairfax and the Company. The Company did not recognize any realized gain or loss on this exchange transaction. At September 30, 2020 and December 31, 2019, the carrying value of this investment was $4.4 million and $8.9 million, respectively. Changes in fair value for this investment are recorded in the change in net unrealized gains/losses on fair value option investments in the Consolidated Statements of Comprehensive Income (Loss). During the nine months ended September 30, 2020, the Company recorded a net decrease in unrealized gains/losses of $4.6 million on this investment, compared to a net increase in unrealized gains/losses of $0.5 million during the nine months ended September 30, 2019.

The Company owned common stock of Seaspan Corporate (“Seaspan”), a publicly traded affiliate of Fairfax and the Company. The Company elected the fair value option of accounting for its investment in Seaspan common stock. On February 27, 2020 Seaspan completed a reorganization pursuant to which Atlas Corp. ("Atlas"), a newly created holding company, became its parent. Shareholders of Seaspan, including the Company, exchanged their Seaspan shares for Atlas shares with no change in ownership percentage. On February 28, 2020, Atlas acquired all issued and outstanding shares of Apple Bidco Limited (“AB”), an affiliate of Fairfax and the Company, from the Company and AB shareholders in an all-stock transaction at a deemed value of $21.1 million. Accordingly, the Company derecognized its investment in equity-accounted AB common stock, recorded a net pre-tax loss of $31,000 and increased its carrying value of Atlas by the fair value of the AB common stock exchanged (considered to be equal to the fair value of the newly issued Atlas common shares received of $21.1 million). The carrying value of this investment was $25.8 million and $11.3 million at September 30, 2020 and December 31, 2019, respectively. Changes in fair value for this investment are recorded in the change in net unrealized gains/losses on fair value option investments in the Consolidated Statements of Comprehensive Income (Loss). During the nine months ended September 30, 2020, the Company recorded a net decrease in unrealized gains/losses of $6.6 million and dividend income of $0.9 million on this investment, compared to a net increase in unrealized gains/losses of $2.2 million and dividend income of $0.3 million during the nine months ended September 30, 2019.

The Company also owns $5.0 million par value of Atlas 5.50% unsecured debentures due February 14, 2025. In February 2020, the Company invested $10.0 million in Atlas 5.50% unsecured debentures due March 1, 2027 (collectively, Atlas bonds). The total carrying value of the investment in Atlas bonds was $14.9 million and $5.1 million at September 30, 2020 and December 31, 2019, respectively.

The Company owns common stock of Fairfax Africa Holdings Corp. (“FAH”), a majority-owned subsidiary of Fairfax and an affiliate of the Company. FAH common stock is publicly traded on the Toronto stock exchange; and the Company records this investment using the equity method of accounting. The fair value of this investment has been significantly below its carrying value for an extended period of time. Therefore, the Company recorded an other-than-temporary impairment realized loss of $16.6 million in the three months ended September 2020 due to the extent and duration of the impairment. The carrying value of FAH was $13.7 million and $39.2 million at September 30, 2020 and December 31, 2019, respectively.

The Company owned an investment in Davos Brands LLC (“Davos”), an affiliate of Fairfax and the Company, included in other invested assets as equity-method partnership investment. On September 30, 2020, the Company, along with the affiliates of Fairfax, sold its investment in Davos for cash proceeds of $17.6 million and recorded a net realized gain of $8.0 million. The Company and other former shareholders of Davos are eligible to receive additional consideration contingent on the brand performance over the next ten years of Aviation American Gin, which is majority owned by Davos.

The Company owns an investment in common stock of Astarta Holding NV (“Astarta”), a Netherlands company that is an affiliate of both Fairfax and the Company. Astarta common stock is publicly traded on the Polish stock exchange. The fair value of this investment has been significantly below its carrying value for an extended period of time. Therefore, the Company recorded an other-than-temporary impairment realized loss of $11.6 million in the fourth quarter of 2019 due to the extent and duration of the impairment. As the fair value of Astarta continued to decline during the first quarter of 2020, the Company recorded additional other-than-temporary impairment realized loss of $1.2 million. In June 2020, upon receipt of the 2019 GAAP financial statements of Astarta (audited), the Company recorded its share of Astarta’s changes in equity for the twelve months ended December 31, 2019 and recorded additional other-than-temporary impairment realized loss of $2.8 million on this investment. The carrying value of Astarta was $2.2 million and $3.4 million at September 30, 2020 and December 31, 2019, respectively.

In March 2020, the Company sold a portion of its investment in certain municipal bonds, at fair value, to various subsidiaries of Allied World Assurance Holdings, Ltd., affiliates of Fairfax and the Company, and received $21.6 million in U.S. treasury notes and $13.2 million in cash, and recognized realized gains of $12.1 million on these transactions. In April 2020, the Company sold the remaining portion of its investment in these municipal bonds, at fair value, to various subsidiaries of Allied World Assurance Holdings, Ltd., for $31.3 million in cash and $17.1 million in commercial paper and recognized realized gains of $14.7 million on these transactions.

In September 2018, the Company paid $4.3 million to purchase 5.6 million common stock shares of Toys "R" Us (Canada) Ltd. ("TRU"), a wholly-owned subsidiary of Fairfax, from Allied World Assurance Company, Ltd. ("AWAC"), a wholly-owned subsidiary of Fairfax. The Company records this investment in affiliated common stock of TRU using the equity method of accounting, on a one quarter lag. The Company received GAAP financial statements of TRU as of December 28, 2019 (audited) in the second quarter 2020 and most recently as of August 29, 2020 (unaudited). Based on this information, the Company's additional share of TRU's cumulative losses through August 29, 2020 was $20.0 million. The Company recorded equity in losses of TRU of $7.6 million in the second quarter 2020 that reduced the carrying value of its investment in TRU to zero. The remaining share of the TRU's losses not yet recognized in the Company's results as of September 30, 2020 was approximately $12.4 million. The carrying value of the Company's investment in TRU equity-method common stock was zero and $11.1 million at September 30, 2020 and December 31, 2019, respectively.

At December 31, 2018, the Company owned an investment in the common stock of Grivalia Properties REIC ("Grivalia"), a majority-owned publicly traded subsidiary of Fairfax. The Company recorded this affiliated common stock investment using the equity method of accounting. On May 17, 2019, Grivalia merged into Eurobank Ergasias S.A. (''Eurobank''), as a result of which shareholders of Grivalia, including the Company, received 20.9 million newly issued shares of Eurobank common stock in exchange for each share of Grivalia, with the fair value of $16.7 million. Accordingly, the Company derecognized its investment in Grivalia and recognized a net realized gain of $2.7 million on this transaction ($5.2 million realized gain on sale, partially offset by a $2.5 million realized loss as a result of the reclassification of the cumulative translation adjustment to earnings). In connection with the merger, on February 5, 2019 Grivalia had paid a pre-merger capital dividend; the Company recorded cash received of $0.6 million as a reduction of the carrying value of Grivalia prior to the merger. The Company elected the fair value option of accounting for its investment in Eurobank common stock. In January 2020, the Company sold its investment in Eurobank to Odyssey Group Holdings, Inc., an affiliate of Fairfax and the Company, and recognized realized gain of $2.8 million on this transaction.

At December 2018, the Company owned the following investments in Exco Resources, Inc. ("Exco"), an affiliate of Fairfax and the Company: Exco equity-method common stock ("Old Exco Stock", carried at zero as of December 31, 2018), 1.75 and 1.5 Exco Lien Bonds ("Exco Bonds") and private debtor-in-possession loans to Exco ("Exco DIP Loans") classified as Other Investments – Affiliate Corporate Loans in the Consolidated Balance Sheets. Exco filed for bankruptcy restructuring in January 2018. On June 28, 2019, Exco emerged from bankruptcy protection and settled the Company's investments in Exco DIP Loans and Exco Bonds with $2.8 million in cash and newly issued Exco common stock ("Exco Stock") with a fair value of $5.9 million. The impact of the derecognition of the Exco Bonds on the Company's investment results in the nine months ended September, 2019 was as follows: realized loss recognized of $7.8 million, partially offset by the change in net unrealized gains/losses on investments of $3.2 million (from the reclassification of previously recognized unrealized losses), and investment income reduction of $0.3 million, primarily for the write-off of the remaining accrued interest. The derecognition of the previously owned Old Exco Stock did not have an impact on the 2019 investment results as this investment was valued at zero at December 31, 2018. The carrying value of the Company's investment in equity-accounted Exco Stock was $6.2 million and $6.1 million at September 30, 2020 and December 31, 2019, respectively.

At December 31, 2018, the Company owned an investment in the preferred stock of AGT Foods and Ingredients Inc. ("AGT"). In April 2019, AGT completed its previously announced management led privatization, resulting in the conversion of the outstanding preferred stock into new AGT Class A common stock ("AGT Stock"). In connection with the privatization, Fairfax, including the Company, as a member of the buying group, extended loans to AGT ("AGT Loans") in order to, among other things, acquire all of the outstanding AGT old common stock shares not already owned by the buying group. Upon closing, Fairfax's total holdings in AGT Stock represented a controlling equity interest in AGT. In connection with the AGT Loans, Fairfax, including the Company, received warrants ("AGT Warrants"). The Company immediately sold the AGT Warrants to Wentworth Insurance Company Ltd. ("Wentworth"), an affiliate of the Company and Fairfax, at cost. The Company classifies its investment in the AGT Loans as Affiliated Corporate Loans in Other Invested Assets. The Company derecognized its investment in AGT preferred stock and recognized a realized loss of $1.7 million on this transaction. At September 30, 2020 and December 31, 2019, the carrying value of the Company's investment in the AGT Loans and AGT Stock was $9.4 million and $9.6 million, respectively, and $3.0 million and $4.9 million, respectively.

The Company owns an investment in common stock of Boat Rocker Media Inc. ("Boat Rocker"), a majority-owned subsidiary of Fairfax. In March 2019, the Company sold a portion of the investment to a third party for $0.4 million and recognized a realized gain on the sale of $0.3 million. The carrying value of this equity-method common stock investment was $7.3 million and $10.9 million at September 30, 2020 and December 31, 2019, respectively.

In February 2018, Fairfax and the Company entered into a private loan agreement with Farmers Edge, Inc. ("Farmers Edge"), an affiliate of Fairfax and the Company ("Farmers Edge Loan"). Fairfax and the Company also received warrants to purchase Farmers Edge common stock in connection with this loan ("Farmers Edge Warrants"). The Company's share of this investment was $4.1 million, allocated between $3.4 million (Canadian $5.0 million par value) in Farmers Edge Loan and $0.7 million in Farmers Edge Warrants, as estimated by HWIC. The Company sold the Farmers Edge Warrants to Wentworth on the same day they were acquired, substantially at cost. In February 2019, the Company invested an additional CAD $4.0 million in Farmers Edge Loans. Farmers Edge Loans are included in Other Investments – Affiliate Corporate Loans in the Consolidated Balance Sheets. The Company also owns 5.3 million shares of Farmers Edge affiliated equity-method common stock, with a carrying value of $1.8 million and $5.6 million at September 30, 2020 and December 31, 2019, respectively. At September 30, 2020 and December 31, 2019, the total carrying value of the Farmers Edge Loans was $7.7 million and $6.9 million, respectively.

In September 2019, the Company sold six corporate bond securities, at fair value including accrued interest, to U.S. Fire Insurance Company, an affiliate of Fairfax, for $12.9 million in cash. The Company recognized realized gains of $0.2 million on the sale.

Other

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 2020. At both September 30, 2020 and December 31, 2019, the Company recorded net reinsurance recoverables of $0.4 million, related to the reinsurance transactions with the affiliates of Fairfax.

Zenith National paid Fairfax $4.4 million and $5.1 million in the nine months ended September 30, 2020 and 2019, respectively, for the cost of the open market purchase made by Fairfax on Zenith National's behalf of Fairfax Subordinate Voting Shares granted to certain officers under the Restricted Stock Plan.

In November 2014, the Company entered into a Master Administrative Services Agreement with various affiliates of Fairfax. Under the agreement, the affiliated parties provide and receive administration services such as accounting, underwriting, claims, reinsurance, preparation of regulatory reports, and actuarial services. The Company began providing claims processing services for Seneca Insurance Company, Inc. (“Seneca”) under this agreement in March 2016. The Company recorded service fee income of $0.1 million and $0.2 million and $0.1 million and $0.3 million, in the three and nine months ended September 30, 2020 and 2019, respectively, in the Consolidated Statements of Comprehensive Income (Loss) which was substantially offset by costs of dedicated staff and allocated shared services. Other liabilities at September 30, 2020 and December 31, 2019 include a loss fund of $0.6 million maintained by the Company to process future workers’ compensation claim payments on behalf of Seneca.

In March 2013, the Company entered into an agreement with TIG Insurance Company (“TIG”) to become their primary workers’ compensation claims service provider. The Company recorded service fee income of $1.2 million and $5.0 million and $2.0 million and $5.9 million, in the three and nine months ended September 30, 2020 and 2019, respectively, in the Consolidated Statements of Comprehensive Income (Loss) which is substantially offset by costs of dedicated staff and allocated shared services. Other liabilities at September 30, 2020 include a net liability of $3.7 million which includes a net loss fund liability of $4.1 million reduced by a service fee income receivable of $0.4 million. Other liabilities at December 31, 2019 include a net liability of $1.2 million which included a net loss fund liability of $2.7 million reduced by a service fee income receivable of $1.5 million.

Note 6. Reinsurance Recoverable

Amounts recoverable for paid and unpaid losses from reinsurers at September 30, 2020 and December 31, 2019 and their respective A.M. Best ratings were as follows:

(In thousands)	September 30, 2020 (a)	December 31, 2019 (a)	A.M. Best Rating (b)	A.M. Best Rating Date
General Reinsurance Corp.	$ 34,603	$ 33,718	A++	03/2020
Factory Mutual Insurance Company	1,055	853	A+	01/2020
All others (c)	6,165	5,585		
Total	$ 41,823	$ 40,156		

(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.”

(c) No individual reinsurer in excess of $1.0 million and $0.8 million at September 30, 2020 and December 31, 2019, respectively.

For January 1, 2020 through April 14, 2020 loss occurrences, the Company has excess of loss and catastrophe reinsurance which provides protection for losses without a pandemic exclusion up to $150 million. For the agriculture business, the Company retains the first $10 million and the layer from $20 million to $50 million of each loss. For all other business classes, the Company retains the first $50 million of each loss.

For April 15, 2020 through December 31, 2020 loss occurrences, the Company has excess of loss catastrophe reinsurance which provides protection for losses without a pandemic exclusion up to $150 million. For the agriculture business, the Company retains the first $10 million of each loss. For all other business classes, the Company retains the first $20 million of each loss.

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)	September 30, 2020	September 30, 2019
Beginning of period, net of reinsurance	$ 1,046,248	$ 1,100,917
Incurred claims:		
Current accident year	300,068	319,301
Prior accident years	(62,403)	(75,416)
Total incurred claims	237,665	243,885
Payments:		
Current accident year	(69,887)	(85,054)
Prior accident years	(195,262)	(206,627)
Total payments	(265,149)	(291,681)
End of period, net of reinsurance	1,018,764	1,053,121
Receivable from reinsurers for unpaid losses	40,355	40,851
End of period, gross of reinsurance	$ 1,059,119	$ 1,093,972

Note 8. Other Comprehensive Income (Loss)

Other comprehensive income (loss) 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 (loss):

(In thousands)	Pre-Tax	Income Tax Effect	After-Tax
Three months ended September 30, 2020			
Net unrealized gains arising during the period	$ 57	$ 12	$ 45
Less: reclassification adjustment for net realized gains included in net income	(1,670)	(350)	(1,320)
Net change in unrealized gains/losses on investments	(1,613)	(338)	(1,275)
Change in unrealized foreign currency translation adjustment	62	13	49
Total other comprehensive loss	$ (1,551)	$ (325)	$ (1,226)
Nine months ended September 30, 2020			
Net unrealized losses arising during the period	$ (2,350)	$ (494)	$ (1,856)
Less: reclassification adjustment for net realized gains included in net income	(1,670)	(350)	(1,320)
Net change in unrealized gains/losses on investments	(4,020)	(844)	(3,176)
Change in unrealized foreign currency translation adjustment	883	186	697
Total other comprehensive loss	$ (3,137)	$ (658)	$ (2,479)
Three months ended September 30, 2019			
Net change in unrealized gains/losses on investments	$ (2,418)	$ (508)	$ (1,910)
Change in unrealized foreign currency translation adjustment	477	100	377
Total other comprehensive loss	(1,941)	(408)	(1,533)
Nine months ended September 30, 2019			
Net unrealized losses arising during the period	$ (3,280)	$ (688)	$ (2,592)
Less: reclassification adjustment for net realized gains included in net income	(71)	(15)	(56)
Net change in unrealized gains/losses on investments	(3,351)	(703)	(2,648)
Unrealized foreign currency translation adjustment arising during the period	414	87	327
Less: reclassification adjustment for net realized foreign exchange losses included in net income	2,111	443	1,668
Change in unrealized foreign currency translation adjustment	2,525	530	1,995
Total other comprehensive loss	$ (826)	$ (173)	$ (653)

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

(In thousands)	September 30, 2020	December 31, 2019
Equity-method common stock	$ (7,495)	$ (5,145)
Equity-method partnerships		1,670
Net unrealized loss on investments, before tax	(7,495)	(3,475)
Deferred tax benefit	(1,574)	(730)
Net unrealized loss on investments, after tax	(5,921)	(2,745)
Net unrealized loss on foreign currency translation adjustment, before tax	(835)	(1,718)
Deferred tax benefit	(175)	(361)
Net unrealized loss on foreign currency translation adjustment, after tax	(660)	(1,357)
Total accumulated other comprehensive loss	$ (6,581)	$ (4,102)

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
Purchased and restricted	(57,605)
Vested	(62,064)
Purchased and available for future grants	(10,201)
Available for future purchases at September 30, 2020	70,130

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, 2017	95,510	$ 437.24	$ 41,762
Purchased in 2018	11,315	474.36	5,367
Purchased in 2019	11,527	443.41	5,111
Purchased in 2020	11,518	381.37	4,393
Total purchased since plan inception	129,870	436.07	$ 56,633

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, 2017	50,287	$ 454.37	$ 22,849
Granted during 2018	11,608	508.90	5,907
Forfeited during 2018	(305)	474.43	(144)
Vested during 2018	(5,347)	384.87	(2,058)
Restricted Shares at December 31, 2018	56,243	472.13	26,554
Granted during 2019	12,426	473.36	5,882
Forfeited during 2019	(1,080)	469.56	(507)
Vested during 2019	(6,156)	412.44	(2,539)
Restricted Shares at December 31, 2019	61,433	478.40	29,390
Granted during 2020	12,848	440.82	5,664
Forfeited during 2020	(200)	465.67	(93)
Vested during 2020	(16,476)	501.91	(8,269)
Restricted Shares at September 30, 2020	57,605	463.34	26,692

Stock-based compensation expense before tax was $1.2 million and $4.4 million in the three and nine months ended September 30, 2020, respectively, compared to $1.4 million and $4.6 million in the corresponding periods of 2019, respectively.

Unrecognized compensation expense before tax under the Restricted Stock Plan was $15.1 million and $13.9 million at September 30, 2020 and December 31, 2019, 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.

Note 11. Leases

The Company has operating leases for offices and automobiles. The automobile leases have remaining lease terms of 1 month to 3 years. The office leases have remaining lease terms of 1 month to 8 years, some of which include options to extend the leases for up to 5 years, and some of which include options to terminate the leases within 3 years. The majority of the Company's property or office leases include an option to extend or renew the lease term. The exercise of the renewal option is at the Company's discretion. The operating lease liability includes lease payments related to options to extend or renew the lease term if the Company is reasonably certain of exercising those options. The Company utilizes a risk-free interest rate for periods comparable to the term of the underlying lease to determine the present value of lease payments.

Lease expense was $2.3 million and $6.9 million for each of the three and nine months ended September 30, 2020 and 2019 respectively.

Additional information related to the operating leases is provided below:

	As of and for the Nine Months Ended September 30, 2020	
(In thousands)	Offices	Automobile
Cash payments included in the measurement of lease liabilities reported in operating cash flows	$ 5,409	$ 780
Weighted average discount rate	2.14%	1.98%
Weighted average remaining lease term (in years)	4.5	2.0

The following table presents the contractual maturities of the Company's lease liabilities at September 30, 2020:

(In thousands)	Offices	Auto Fleet	Total
Remainder of 2020	$ 1,614	$ 275	$ 1,889
2021	5,985	809	6,794
2022	4,073	442	4,515
2023	2,696	110	2,806
2024	2,087		2,087
Thereafter	3,406		3,406
Total undiscounted lease payments	$ 19,861	$ 1,636	$ 21,497
Less: present value adjustment	941	64	1,005
Operating lease liability	$ 18,920	$ 1,572	$ 20,492