

Zenith National Insurance Corp. and Subsidiaries

**Consolidated Financial Statements
as of June 30, 2024 and December 31, 2023 and for the three and six
months ended June 30, 2024 and 2023
(unaudited)**

Zenith National Insurance Corp. and Subsidiaries
Consolidated Financial Statements (unaudited)

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

| (In thousands, except par value) | June 30, 2024 | December 31, 2023 |
|---|---------------------|----------------------|
| Assets: | | |
| Investments: | | |
| Fixed maturity securities, at fair value (amortized cost \$924,022 in 2024 and \$1,030,941 in 2023) | \$ 925,043 | \$ 1,052,865 |
| Equity securities, at fair value (cost \$273,183 in 2024 and \$273,401 in 2023) | 284,074 | 312,725 |
| Short-term investments, at fair value | 17,284 | 7,550 |
| Mortgage loans, at fair value (amortized cost \$214,660 in 2024 and \$218,523 in 2023) | 206,775 | 210,758 |
| Other investments | 215,201 | 213,447 |
| Derivative assets, at fair value (cost \$15,035 in 2024 and \$17,835 in 2023) | 987 | 2,551 |
| Total investments | 1,649,364 | 1,799,896 |
| Cash and cash equivalents | 31,321 | 39,060 |
| Accrued investment income | 10,493 | 11,958 |
| Premiums receivable | 77,543 | 64,982 |
| Earned but unbilled premium receivable | 4,219 | 5,218 |
| Reinsurance recoverables | 55,554 | 49,541 |
| Deferred policy acquisition costs | 26,046 | 23,087 |
| Deferred tax asset | 77,462 | 65,887 |
| Income tax receivable | 1,679 | |
| Operating lease right-of-use assets | 23,697 | 23,799 |
| Goodwill | 20,985 | 20,985 |
| Other assets | 59,120 | 59,025 |
| Total assets | \$ 2,037,483 | \$ 2,163,438 |
| Liabilities: | | |
| Unpaid losses and loss adjustment expenses | \$ 1,031,726 | \$ 1,045,700 |
| Unearned premiums | 145,660 | 129,080 |
| Policyholders' dividends accrued | 30,039 | 31,848 |
| Long-term debt | 38,382 | 38,368 |
| Income tax payable | | 704 |
| Operating lease liabilities | 25,453 | 25,329 |
| Derivative liabilities | 295 | 2,276 |
| Other liabilities | 100,602 | 100,214 |
| Total liabilities | 1,372,157 | 1,373,519 |
| Commitments and contingencies (see Note 9) | | |
| Stockholders' equity: | | |
| Common stock, \$1 par value, 40 authorized shares; 39 shares issued and outstanding | 39 | 39 |
| Additional paid-in capital | 394,038 | 401,199 |
| Retained earnings | 289,222 | 406,673 |
| Accumulated other comprehensive loss | (17,973) | (17,992) |
| Total stockholders' equity | 665,326 | 789,919 |
| Total liabilities and stockholders' equity | \$ 2,037,483 | \$ 2,163,438 |

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

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

| (In thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|-------------------|---------------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Revenues: | | | | |
| Net premiums earned | \$ 179,477 | \$ 181,733 | \$ 357,826 | \$ 357,251 |
| Net investment income | 16,070 | 16,292 | 29,959 | 31,043 |
| Net realized gains (losses) on investments | 312 | (8,567) | (1,287) | 103,388 |
| Change in net unrealized gains/losses on fair value option investments | (20,773) | (19,054) | (51,709) | (99,272) |
| Net gains (losses) on derivatives | 1,269 | (1,620) | 2,060 | (1,748) |
| Service fee revenue | 2,366 | 1,756 | 5,133 | 3,876 |
| Total revenues | 178,721 | 170,540 | 341,982 | 394,538 |
| Expenses: | | | | |
| Losses and loss adjustment expenses incurred | 101,518 | 101,433 | 202,604 | 203,943 |
| Underwriting and other operating expenses: | | | | |
| Policyholder acquisition costs | 39,084 | 39,516 | 79,620 | 77,217 |
| Underwriting and other costs | 35,679 | 32,049 | 70,454 | 64,231 |
| Policyholders' dividends | 4,527 | 5,120 | 8,704 | 10,026 |
| Interest expense | 830 | 830 | 1,660 | 1,660 |
| Total expenses | 181,638 | 178,948 | 363,042 | 357,077 |
| Income (loss) before tax | (2,917) | (8,408) | (21,060) | 37,461 |
| Income tax expense (benefit) | 72 | (1,960) | (3,609) | 8,838 |
| Net income (loss) | \$ (2,989) | \$ (6,448) | \$ (17,451) | \$ 28,623 |
| Change in unrealized gains/losses on investments, net of tax | 443 | 1,449 | 727 | 1,663 |
| Change in unrealized foreign currency translation adjustments, net of tax | (1,240) | (2,346) | (708) | (2,705) |
| Other comprehensive income (loss) | (797) | (897) | 19 | (1,042) |
| Total comprehensive income (loss) | \$ (3,786) | \$ (7,345) | \$ (17,432) | \$ 27,581 |

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

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

| (In thousands) | Six Months Ended June 30, | |
|--|---------------------------|------------------|
| | 2024 | 2023 |
| Cash flows from operating activities: | | |
| Premiums collected, net of reinsurance | \$ 362,209 | \$ 361,675 |
| Investment income received | 26,291 | 15,064 |
| Losses and loss adjustment expenses paid, net of reinsurance | (218,817) | (209,127) |
| Underwriting and other operating expenses paid | (151,644) | (147,742) |
| Interest paid | (1,646) | (1,646) |
| Income taxes paid | (10,358) | (19,590) |
| Net cash provided by (used in) operating activities | 6,035 | (1,366) |
| Cash flows from investing activities: | | |
| Purchases of investments: | | |
| Fixed maturity securities - fair value option | (8,343) | (503,549) |
| Equity securities - fair value option | | (36,668) |
| Mortgage loans | (7,166) | (101,151) |
| Other investments | (8,468) | (9,890) |
| Derivatives | | (990) |
| Proceeds from maturities and redemptions of investments: | | |
| Fixed maturity securities - fair value option | 9,861 | 15,151 |
| Proceeds from sales of investments: | | |
| Fixed maturity securities - fair value option | 108,582 | 426,579 |
| Equity securities - fair value option | 396 | 187,373 |
| Mortgage loans | 12,781 | 10,980 |
| Other investments | 3,796 | 4,498 |
| Net decrease (increase) in short-term investments | (9,819) | 18,752 |
| Net derivative cash settlements | 1,643 | 504 |
| Capital expenditures and other | (6,936) | (3,180) |
| Net cash provided by investing activities | 96,327 | 8,409 |
| Cash flows from financing activities: | | |
| Dividends paid to common stockholders | (100,000) | |
| Purchase of Fairfax shares for restricted stock awards | (10,101) | (117) |
| Net cash used in financing activities | (110,101) | (117) |
| Net increase (decrease) in cash and cash equivalents | (7,739) | 6,926 |
| Cash and cash equivalents at beginning of period | 39,060 | 37,736 |
| Cash and cash equivalents at end of period | \$ 31,321 | \$ 44,662 |

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) | Six Months Ended June 30, | |
|--|---------------------------|-------------------|
| | 2024 | 2023 |
| Reconciliation of net income (loss) to net cash provided by (used in) operating activities: | | |
| Net income (loss) | \$ (17,451) | \$ 28,623 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation expense | 735 | 908 |
| Net accretion | (5,991) | (5,613) |
| Net realized losses (gains) on investments | 1,287 | (103,388) |
| Change in net unrealized gains/losses on fair value option investments | 51,709 | 99,272 |
| Net losses (gains) on derivatives | (2,060) | 1,748 |
| Equity in losses (earnings) of investee | 1,681 | (5,108) |
| Stock-based compensation expense | 2,940 | 2,888 |
| Decrease (increase) in: | | |
| Accrued investment income | 1,465 | (4,116) |
| Premiums receivable | (13,867) | (11,558) |
| Reinsurance recoverables | (6,013) | 6,651 |
| Deferred policy acquisition costs | (2,959) | (2,816) |
| Net income taxes | (13,967) | (10,752) |
| Increase (decrease) in: | | |
| Unpaid losses and loss adjustment expenses | (13,974) | (13,412) |
| Unearned premiums | 16,580 | 19,835 |
| Policyholders' dividends accrued | (1,809) | 1,629 |
| Accrued expenses | 7,145 | (3,622) |
| Prepaid policy and guarantee fund assessments | (1,112) | (2,515) |
| Equities in Pools | (89) | (1,702) |
| Other | 1,785 | 1,682 |
| Net cash provided by (used in) operating activities | \$ 6,035 | \$ (1,366) |

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

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

| (In thousands) | Six Months Ended June 30, | |
|---|---------------------------|-------------------|
| | 2024 | 2023 |
| Common stock: | \$ 39 | \$ 39 |
| Additional paid-in capital: | | |
| Beginning of period | 401,199 | 397,682 |
| Stock-based compensation expense | 2,940 | 2,888 |
| Purchases of Fairfax shares for restricted stock awards | (10,101) | (117) |
| End of period | 394,038 | 400,453 |
| Retained earnings: | | |
| Beginning of period | 406,673 | 318,733 |
| Net income (loss) | (17,451) | 28,623 |
| Dividends to common stockholders | (100,000) | |
| End of period | 289,222 | 347,356 |
| Accumulated other comprehensive loss: | | |
| Beginning of period | (17,992) | (11,848) |
| Change in unrealized gains/losses on investments, net of tax | 727 | 1,663 |
| Change in unrealized foreign currency translation adjustments, net of tax | (708) | (2,705) |
| End of period | (17,973) | (12,890) |
| Total stockholders' equity | \$ 665,326 | \$ 734,958 |

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

ZENITH NATIONAL INSURANCE CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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. These Consolidated Financial Statements should be read in conjunction with the Audited Consolidated Financial Statements and Notes thereto of the Company for the year ended December 31, 2023.

Adopted Accounting Standards

Measurement of Credit Losses on Financial Instruments

Effective January 1, 2023, the Company adopted the new guidance on Financial Instruments – Credit Losses, which provides for the recognition and measurement of all expected credit losses (“CECL”) for financial assets that are not recorded under the fair value option method of accounting. The adoption involved reassessing credit losses on the Company’s financial assets that are not accounted for at fair value, following the prescribed methodology for recognizing credit losses that reflects expected credit losses. The Company’s investment portfolio, excluding accrued investment income, was not affected by CECL as it applies the fair value option to the majority of its investments. Therefore, the Company’s financial assets within the scope of this guidance primarily included accrued investment income, premiums receivable and reinsurance recoverable. Following the adoption of CECL, the Company reassesses credit losses on its financial assets within the scope of the guidance quarterly. The adoption of this guidance did not result in any additional credit losses recorded on the Company’s significant financial assets in scope.

Recent Accounting Standards Not Yet Adopted

Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions

In June 2022, the Financial Accounting Standards Board (“FASB”) issued new guidance which clarifies the existing fair value measurement guidance when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security and introduces new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value. The new standard clarifies that equity security contractual restrictions which have characteristics of the equity security should be considered in measuring the fair value of the security, while characteristics of the holder of the equity security should not be considered in measuring the fair value of the security. The standard also requires an entity holding equity securities with contractual sale restrictions to disclose the fair value of equity securities subject to contractual sale restrictions, the nature and remaining duration of the restrictions and the circumstances that could cause a lapse in the restrictions. For non-public entities, the guidance is effective for annual periods beginning after December 15, 2024 and interim periods within those annual periods. 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.

ZENITH NATIONAL INSURANCE CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Improvements to Income Tax Disclosures

In December 2023, the FASB issued new guidance requiring expanded income tax disclosures, including the disaggregation of existing disclosures related to the effective tax rate reconciliation and income taxes paid. For non-public entities, the guidance is effective for annual periods beginning after December 15, 2025. Prospective application is required, with retrospective application permitted. The guidance is not expected to have a material impact on the Company's consolidated financial position, results of operations, or cash flows.

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 August 14, 2024.

On July 15, 2024, Cleveland-Cliffs Inc. ("Cliffs") entered into a definitive agreement with Stelco Holdings Inc ("Stelco"), an affiliate of Fairfax and the Company, to acquire all outstanding common shares of Stelco for consideration of Cdn\$70.00 per share (consisting of Cdn\$60.00 cash and Cdn\$10.00 in Cliffs common stock). Closing of the transaction is expected in the fourth quarter of 2024 and is subject to shareholder and regulatory approvals and satisfaction of other customary closing conditions. The Company's current estimate is a pre-tax gain of approximately \$62 million on the sale of approximately 1.7 million shares of Stelco common stock, calculated as the difference between expected consideration of approximately \$88 million (\$51 per common share) over the original cost of its investment in Stelco of approximately \$26 million.

ZENITH NATIONAL INSURANCE CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 2. Cash and Investments

In April 2023, the Company started investing substantially all of its operating cash balances in a highly liquid overnight money market fund, administered by Bank of America through a daily sweep mechanism. Previously, the Company held all of its operating cash in cash accounts at Bank of America. The invested balance as of June 30, 2024 was \$34.9 million and was included as part of net cash and cash equivalents on the Consolidated Balance Sheets.

The cost or amortized cost and fair value of investments recorded at fair value under the fair value option as of June 30, 2024 and December 31, 2023 were as follows:

| (In thousands) | Cost or Amortized Cost | Gross Unrealized | | Fair Value (a) |
|--|---------------------------|-------------------|--------------------|---------------------|
| | | Gains | (Losses) | |
| June 30, 2024 | | | | |
| Fair value option investments: | | | | |
| Fixed maturity securities: | | | | |
| U.S. Government debt | \$ 860,918 | \$ 3,641 | \$ (4,887) | \$ 859,672 |
| Foreign government debt | 15,987 | | (2,202) | 13,785 |
| Corporate debt | 47,117 | 4,623 | (154) | 51,586 |
| Total fixed maturity securities | 924,022 | 8,264 | (7,243) | 925,043 |
| Equity securities | 273,183 | 49,736 | (38,845) | 284,074 |
| Short-term investments | 17,284 | | | 17,284 |
| Mortgage loans | 214,660 | | (7,885) | 206,775 |
| Cost-method partnerships | 45,681 | 10,827 | (3,177) | 53,331 |
| Affiliate corporate loans | 7,090 | | (76) | 7,014 |
| Contingent consideration receivable | 23,183 | | (1,092) | 22,091 |
| Total fair value option investments | \$ 1,505,103 | \$ 68,827 | \$ (58,318) | \$ 1,515,612 |
| December 31, 2023 | | | | |
| Fair value option investments: | | | | |
| Fixed maturity securities: | | | | |
| U.S. Government debt | \$ 968,488 | \$ 18,203 | \$ (2,633) | \$ 984,058 |
| Foreign government debt | 15,915 | 566 | | 16,481 |
| Corporate debt | 46,538 | 5,941 | (153) | 52,326 |
| Total fixed maturity securities | 1,030,941 | 24,710 | (2,786) | 1,052,865 |
| Equity securities | 273,401 | 80,648 | (41,324) | 312,725 |
| Short-term investments | 7,550 | | | 7,550 |
| Mortgage loans | 218,523 | | (7,765) | 210,758 |
| Cost-method partnerships | 38,283 | 10,900 | (2,313) | 46,870 |
| Affiliate corporate loans | 7,091 | 119 | | 7,210 |
| Contingent consideration receivable | 23,525 | 29 | | 23,554 |
| Total fair value option investments | \$ 1,599,314 | \$ 116,406 | \$ (54,188) | \$ 1,661,532 |

(a) For additional disclosures regarding methods and assumptions used in estimating fair values, see Note 4.

Fixed maturity securities, including short-term investments, by contractual maturity as of June 30, 2024 were as follows:

| (In thousands) | Fair Value |
|--|-------------------|
| Due in one year or less | \$ 29,119 |
| Due after one year through five years | 517,173 |
| Due after five years through ten years | 396,035 |
| Total | \$ 942,327 |

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.

ZENITH NATIONAL INSURANCE CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

As of June 30, 2024 and December 31, 2023, total investments also included other investments detailed below and derivative contracts described in Note 3.

| (In thousands) | June 30, 2024 | December 31, 2023 |
|---|-------------------|----------------------|
| Equity-method common stock (a) | \$ 132,765 | \$ 135,813 |
| Cost-method partnerships, at fair value (cost \$45,681 in 2024 and \$38,283 in 2023) (b) | 53,331 | 46,870 |
| Affiliate corporate loans, at fair value (amortized cost \$7,090 in 2024 and \$7,091 in 2023) | 7,014 | 7,210 |
| Contingent consideration receivable, at fair value (cost \$23,183 in 2024 and 23,525 in 2023) | 22,091 | 23,554 |
| Total other investments | \$ 215,201 | \$ 213,447 |

- (a) Investments in equity-method common stock 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 equity since the initial acquisition.
- (b) Investments in partnerships and limited liability companies 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 June 30, 2024, the Company had commitments to invest an additional \$9.4 million in partnerships and limited liability companies.

The following table sets forth additional information for the Company's investment in equity-method common stock as of June 30, 2024 and December 31, 2023:

| (In thousands) | Carrying Value | | Carrying Value less Underlying Net Asset Value | | Quoted Market Value | | Relative Economic Ownership |
|---------------------------------------|-------------------|-------------------|--|--------------|---------------------|--------------|-----------------------------|
| | June 30, | December 31, | June 30, | December 31, | June 30, | December 31, | June 30, |
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 |
| FF Meadow Holdings Limited | \$ 50,428 | \$ 50,428 | | | | | 20.3 % |
| Fairfax India Holdings Corp. | 27,102 | 28,928 | \$ (619) (a) | \$ (579) (a) | \$ 20,273 | \$ 21,474 | 1.0 % |
| Grivalia Hospitality S.A. | 11,883 | 12,349 | 5,787 (a) | 5,988 (a) | | | 1.8 % |
| Exco Resources Inc. | 10,937 | 10,175 | (1,230) (a) | (578) (a) | | | 1.3 % |
| Peak Achievement Athletics | 10,722 | 8,614 | 2,234 (c) | (1,204) (c) | | | 2.8 % |
| Helios Fairfax Partners Corp. | 6,909 | 10,466 | (13,145) (b) | (13,130) (b) | 11,766 | 11,074 | 4.3 % |
| Astarta Holdings NV | 7,648 | 6,421 | (7,546) (b) | (7,299) (b) | 5,843 | 5,900 | 3.3 % |
| Alberta ULC | 4,047 | 3,658 | | | | | 5.0 % |
| Boat Rocker Media Inc. | 3,089 | 4,774 | (9,183) (b) | (8,035) (b) | 3,717 | 4,774 | 8.9 % |
| Total common stocks, at equity | \$ 132,765 | \$ 135,813 | | | | | |

- (a) Represents positive/(negative) goodwill and purchase price adjustments, if any.
- (b) Represents primarily other-than-temporary impairment write-down previously recorded.
- (c) Represents dividend distribution received from investee or the impact of investee's recent known material transactions not yet reflected in the underlying net asset value ("NAV") based on the most recent investee financial statements received.

ZENITH NATIONAL INSURANCE CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Net investment income was as follows:

| (In thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-----------|------------------------------|-----------|
| | 2024 | 2023 | 2024 | 2023 |
| Fixed maturity securities (a) | \$ 10,251 | \$ 9,231 | \$ 21,319 | \$ 16,235 |
| Equity securities | 1,725 | 1,739 | 3,265 | 3,770 |
| Mortgage loans (a) | 5,447 | 5,084 | 10,640 | 8,619 |
| Short-term and other investments (a) | 629 | 756 | 1,529 | 1,740 |
| Net income (loss) from equity-method investments (b) | 698 | 1,743 | (1,681) | 5,108 |
| Subtotal | 18,750 | 18,553 | 35,072 | 35,472 |
| Less: Investment expenses | 2,680 | 2,261 | 5,113 | 4,429 |
| Net investment income | \$ 16,070 | \$ 16,292 | \$ 29,959 | \$ 31,043 |

(a) During 2023, the Company continued to reinvest proceeds from sales and maturities of short-dated fixed maturity securities in higher yielding U.S. treasury bonds, high quality corporate bonds and first mortgage loans, resulting in an increase in interest income in the three and six months ended June 30, 2024 compared to the same periods in 2023.

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

| (In thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|----------|---------------------------|----------|
| | 2024 | 2023 | 2024 | 2023 |
| Astarta Holdings NV | \$ 2,561 | \$ 2,692 | \$ 2,561 | \$ 2,692 |
| Peak Achievement Athletics | 2,094 | (153) | 2,110 | (211) |
| Exco Resources Inc. | (144) | 1,186 | 762 | 2,967 |
| Alberta ULC | 69 | 106 | 395 | 128 |
| Farmers Edge Inc. (1) | | | | (255) |
| AGT Food and Ingredients Inc. (2) | | (109) | | (109) |
| Boat Rocker Media Inc. | (281) | (683) | (1,010) | (494) |
| Grivalia Hospitality S.A. | (295) | (1,027) | (1,150) | (1,035) |
| Fairfax India Holdings Corp. | (3,106) | (569) | (1,698) | 377 |
| Helios Fairfax Partners Corp. | (200) | 300 | (3,651) | 1,048 |
| Income (loss) from equity-method investments | \$ 698 | \$ 1,743 | \$ (1,681) | \$ 5,108 |

(1) As of June 30, 2024, based on the Farmers Edge Inc. ("FE") latest GAAP financial statements as of December 31, 2022 (audited) received and International Financial Reporting Standards ("IFRS") financial statements as of March 31, 2024 (unaudited), the Company's remaining share of the FE's reduction in equity not yet recognized in the Company's results was approximately \$2.6 million.

(2) As of June 30, 2024, based on the latest AGT Food and Ingredients Inc. ("AGT") GAAP financial statements as of December 31, 2022 (audited) received and IFRS financial statements as of September 30, 2023 (unaudited), the carrying value of the Company's investment in AGT equity-accounted common stock was zero and the Company reduced its investment in AGT affiliated loans by \$2.3 million for its share of AGT's reduction in equity in excess of carrying value of its investment in AGT common stock.

ZENITH NATIONAL INSURANCE CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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

| (In thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|------------|---------------------------|------------|
| | 2024 | 2023 | 2024 | 2023 |
| Sales of equity securities (a) | \$ 179 | \$ (3,473) | \$ 179 | \$ 109,758 |
| Sales of fixed maturity securities, including short-term investments and other (b) | (637) | (5,914) | (2,480) | (7,912) |
| Gains from other investments (c) | 770 | 820 | 1,014 | 1,542 |
| Net realized gains (losses) on investments | \$ 312 | \$ (8,567) | \$ (1,287) | \$ 103,388 |

- (a) Net realized gains on sales of equity securities in the three and six months ended June 30, 2024 consisted primarily of realized gains on sales of one common stock investment.

Net realized gains on sales of equity securities in the six months ended June 30, 2023 primarily consisted of \$113.2 million of a realized gain on sale of a common stock investment in the first quarter of 2023, \$110.5 million of which was previously recorded in change in net unrealized gains/losses on fair value option investments (see (a) in the table below), partially offset by realized losses in the second quarter of 2023 of \$2.4 million on the sale of one fair value option common stock and \$1.0 million "day one" loss recorded as a result of the purchase of fair value option preferred stock and related warrants where cash paid exceeded the fair value of investments acquired.

- (b) Net realized losses on sales of fixed maturity securities, including short-term investments and other in the six months ended June 30, 2024 primarily included realized losses from sales of U.S. government securities of \$2.0 million and realized losses on indemnity liability of \$0.5 million.

Net realized losses on sales of fixed maturity securities, including short-term investments and other in the three and six months ended June 30, 2023 were primarily from sales of U.S. government securities.

- (c) Net realized gains from other investments in the three months ended June 30, 2024 primarily included realized gains from cost-partnership distributions of \$0.9 million. Net realized gains from other investments in the six months ended June 30, 2024 primarily included realized gains from cost-method partnership distributions of \$2.0 million, partially offset by an other-than-temporary impairment of \$1.1 million on the Company's equity-method investment in Boat Rocker Media Inc.

Net realized gains in the three and six months ended June 30, 2023 were primarily comprised of cost-method partnership distributions of \$0.9 million and \$1.7 million, respectively.

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

| (In thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|-------------|---------------------------|-------------|
| | 2024 | 2023 | 2024 | 2023 |
| Change in net unrealized gains/losses recognized on fair value option investments | \$ (20,773) | \$ (19,054) | \$ (51,709) | \$ (99,272) |
| Less: Net losses (gains) recognized on fair value option investments sold (a) | (85) | 8,348 | 961 | (100,943) |
| Change in net unrealized gains/losses recognized on fair value option investments still held at the reporting date | \$ (20,688) | \$ (27,402) | \$ (52,670) | \$ 1,671 |

- (a) Net gain recognized on fair value option investments sold in the six months ended June 30, 2023 primarily consisted of \$110.5 million cumulative unrealized gains previously recognized through December 31, 2022 on a common stock investment sold in the first quarter of 2023 (see tickmark (a) in the table above).

At both June 30, 2024 and December 31, 2023, investments with a fair value of approximately \$765 million, were on deposit with regulatory authorities in compliance with insurance company regulations. As of June 30, 2024, the Company had additional qualifying securities with a fair value of approximately \$130 million available for deposit.

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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 | Liabilities |
| June 30, 2024 | | | | |
| CPI-linked derivatives | \$ 2,065,877 | \$ 8,391 | | |
| Equity index put options | 124,358 | 4,821 | \$ 55 | |
| Foreign exchange forwards | 104,206 | | 428 | \$ 295 |
| Equity warrants | 10,000 | 1,823 | 504 | |
| Total | | \$ 15,035 | \$ 987 | \$ 295 |
| December 31, 2023 | | | | |
| CPI-linked derivatives | \$ 3,082,328 | \$ 11,191 | | |
| Equity index put options | 124,358 | 4,821 | \$ 2,121 | |
| Foreign exchange forwards | 100,951 | | | \$ 2,276 |
| Equity warrants | 10,000 | 1,823 | 430 | |
| Total | | \$ 17,835 | \$ 2,551 | \$ 2,276 |

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

| (In thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|------------|---------------------------|------------|
| | 2024 | 2023 | 2024 | 2023 |
| Net gains (losses) on settlements | | | | |
| Equity warrants | | \$ (1) | \$ | 1,366 |
| CPI-linked derivatives | | | \$ (2,800) | (799) |
| Foreign exchange forwards | \$ 1,271 | 305 | 1,643 | 503 |
| Total | 1,271 | 304 | (1,157) | 1,070 |
| Change in fair value | | | | |
| Equity warrants | 446 | (52) | 74 | (1,369) |
| Equity index put options | (464) | | (2,066) | |
| CPI-linked derivatives | | | 2,800 | 799 |
| Foreign exchange forwards | 16 | (1,872) | 2,409 | (2,248) |
| Total | (2) | (1,924) | 3,217 | (2,818) |
| Net gains (losses) on derivatives | | | | |
| Equity warrants | 446 | (53) | 74 | (3) |
| Equity index put options | (464) | | (2,066) | |
| Foreign exchange forwards | 1,287 | (1,567) | 4,052 | (1,745) |
| Total net gains (losses) on derivatives | \$ 1,269 | \$ (1,620) | \$ 2,060 | \$ (1,748) |

As of June 30, 2024 and December 31, 2023, counterparties pledged approximately \$22,600 of U.S Treasury notes and \$2.1 million of cash, respectively, for the Company's benefit. The Company recorded the cash collateral in other assets and recorded a corresponding liability in its Consolidated Balance Sheets.

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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 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.

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.

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The following table presents the Company's investments measured at fair value on a recurring basis as of June 30, 2024 and December 31, 2023 classified by the valuation hierarchy discussed previously:

| (In thousands) | Total (a) | Fair Value Measurement Using | | |
|---|---------------------|------------------------------|-------------------|-------------------|
| | | Level 1 | Level 2 | Level 3 |
| June 30, 2024 | | | | |
| Fair value option securities: | | | | |
| Fixed maturity securities: | | | | |
| U.S. government debt | \$ 859,672 | | \$ 859,672 | |
| Foreign government debt | 13,785 | | 13,785 | |
| Corporate debt | 51,586 | | 42,246 | \$ 9,340 |
| Total fixed maturity securities | 925,043 | | 915,703 | 9,340 |
| Equity securities (a) (b) | 284,074 | \$ 131,681 | 9,946 | 110,227 |
| Short-term investments | 17,284 | 17,284 | | |
| Mortgage loans (c) | 206,775 | | | 206,775 |
| Other investments – cost-method partnerships (a) (b) | 53,331 | | | |
| Other investments – affiliate corporate loans (a) | 7,014 | | | 7,014 |
| Other investments – contingent consideration receivable (a) | 22,091 | | | 22,091 |
| Total fair value option investments | \$ 1,515,612 | \$ 148,965 | \$ 925,649 | \$ 355,447 |
| Derivatives: | | | | |
| Equity warrants | \$ 504 | | | \$ 504 |
| Equity index put options | 55 | | \$ 55 | |
| Foreign exchange forwards | 428 | | 428 | |
| Total derivative assets | 987 | | 483 | 504 |
| Foreign exchange forwards | (295) | | (295) | |
| Total derivative liabilities | (295) | | (295) | |
| Net derivatives | \$ 692 | | \$ 188 | \$ 504 |

| (In thousands) | Total (a) | Fair Value Measurement Using | | |
|---|---------------------|------------------------------|---------------------|-------------------|
| | | Level 1 | Level 2 | Level 3 |
| December 31, 2023 | | | | |
| Fair value option securities: | | | | |
| Fixed maturity securities: | | | | |
| U.S. government debt | \$ 984,058 | | \$ 984,058 | |
| Foreign government debt | 16,481 | | 16,481 | |
| Corporate debt | 52,326 | | 42,191 | \$ 10,135 |
| Total fixed maturity securities | 1,052,865 | | 1,042,730 | 10,135 |
| Equity securities (a) (b) | 312,725 | \$ 162,034 | 9,555 | 112,787 |
| Short-term investments | 7,550 | 7,550 | | |
| Mortgage loans (c) | 210,758 | | | 210,758 |
| Other investments – cost-method partnerships (a) (b) | 46,870 | | | |
| Other investments – affiliate corporate loans (a) | 7,210 | | | 7,210 |
| Other investments – contingent consideration receivable (a) | 23,554 | | | 23,554 |
| Total fair value option investments | \$ 1,661,532 | \$ 169,584 | \$ 1,052,285 | \$ 364,444 |
| Derivatives: | | | | |
| Equity warrants | \$ 430 | | | \$ 430 |
| Equity index put options | 2,121 | | \$ 2,121 | |
| Total derivative assets | 2,551 | | 2,121 | 430 |
| Foreign exchange forwards | (2,276) | | (2,276) | |
| Total derivative liabilities | (2,276) | | (2,276) | |
| Net derivatives | \$ 275 | | \$ (155) | \$ 430 |

- (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 additional details of investments recorded under other investments.
- (b) As of June 30, 2024 and December 31, 2023, certain common stock investments with a fair value of \$32.2 million and \$28.3 million, respectively, and cost-method partnerships with a fair value of \$53.3 million and \$46.9 million, respectively, are measured using NAV as a practical expedient and are not required to be classified in the fair value hierarchy.
- (c) As of June 30, 2024 and December 31, 2023, no mortgage loans were 90 days or more past due.

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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 March 31, 2024 | \$ 9,646 | \$ 111,648 | \$ 213,953 | \$ 7,098 | \$ 22,393 | \$ 58 |
| Purchases | | | 4,547 | | | |
| Sales | | | (11,848) | | (321) | |
| Realized and unrealized gains/losses included in: | | | | | | |
| Net investment income – accretion of discounts | | | 233 | | | |
| Net realized gains (losses) on investments | | | 110 | | (21) | |
| Change in net unrealized gains/losses on fair value option investments | (306) | (1,421) | (220) | (84) | 40 | |
| Net gains on derivatives | | | | | | 446 |
| Balance as of June 30, 2024 | \$ 9,340 | \$ 110,227 | \$ 206,775 | \$ 7,014 | \$ 22,091 | \$ 504 |
| Balance as of December 31, 2023 | \$ 10,135 | \$ 112,787 | \$ 210,758 | \$ 7,210 | \$ 23,554 | \$ 430 |
| Purchases | | | 8,569 | | | |
| Sales | | | (13,021) | | (321) | |
| Realized and unrealized gains/losses included in: | | | | | | |
| Net investment income – accretion of discounts | | | 479 | | | |
| Net realized gains (losses) on investments | | | 110 | | (21) | |
| Change in net unrealized gains/losses on fair value option investments | (795) | (2,560) | (120) | (196) | (1,121) | |
| Net gains on derivatives | | | | | | 74 |
| Balance as of June 30, 2024 | \$ 9,340 | \$ 110,227 | \$ 206,775 | \$ 7,014 | \$ 22,091 | \$ 504 |
| (In thousands) | Corporate Debt | Equity Securities (a) | Mortgage Loans | Affiliate Corporate Loans | Contingent Consideration Receivable (b) | Derivatives |
| Balance as of March 31, 2023 | \$ 9,760 | \$ 43,818 | \$ 162,946 | \$ 9,183 | \$ 27,391 | \$ 429 |
| Purchases | | 4,167 | 100,417 | | | 990 |
| Sales | | | (10,907) | | (524) | |
| Realized and unrealized gains/losses included in: | | | | | | |
| Net investments income – accretion of discounts | | | 465 | | | |
| Net realized gains (losses) on investments | | | 465 | | (27) | |
| Change in net unrealized gains/losses on fair value option investments | 2,873 | 535 | | 314 | 1,258 | |
| Net losses on derivatives | | | | | | (53) |
| Balance as of June 30, 2023 | \$ 12,633 | \$ 48,520 | \$ 253,386 | \$ 9,497 | \$ 28,098 | \$ 1,366 |
| Balance as of December 31, 2022 | \$ 2,124 | \$ 38,921 | \$ 162,019 | \$ 8,913 | \$ 15,723 | \$ 1,879 |
| Purchases | 5,339 | 8,167 | 101,437 | | 11,759 | 990 |
| Sales | | | (10,980) | | (1,716) | (1,500) |
| Realized and unrealized gains/losses included in: | | | | | | |
| Net investments income – accretion of discounts | | | 445 | | | |
| Net realized gains (losses) on investments | | | 465 | | (90) | |
| Change in net unrealized gains/losses on fair value option investments | 5,170 | 1,432 | | 584 | 2,422 | |
| Net losses on derivatives | | | | | | (3) |
| Balance as of June 30, 2023 | \$ 12,633 | \$ 48,520 | \$ 253,386 | \$ 9,497 | \$ 28,098 | \$ 1,366 |

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

(b) Purchase of Contingent Consideration Receivables in 2023 of \$11.8 million represents the fair value of contingent value rights ("CVR") recorded as a result of a sale of a common stock investment in the first quarter of 2023. The fair value of the CVR was estimated as the difference between cash consideration received and the market price of the common stock immediately prior to the close of the transaction, and was included as part of total sales proceeds.

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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 and six months ended June 30, 2024 and 2023, investment management expenses incurred under these agreements were \$1.3 million and \$2.6 million, respectively, for both years.

The Company owns common stock, preferred stock and corporate loans 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 investee's net income (loss) and 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 investee's 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 (loss).

The Company's affiliated investments as of June 30, 2024 and December 31, 2023 were as follows:

| (In thousands) | June 30, 2024 | December 31, 2023 |
|---|-------------------|----------------------|
| Equity securities, at fair value | \$ 187,683 | \$ 204,272 |
| Other investments: | | |
| Equity-method common stock | 132,765 | 135,813 |
| Partnerships, at fair value | 4,554 | 5,661 |
| Affiliate corporate loans, at fair value | 7,014 | 7,210 |
| Total affiliated investment assets | \$ 332,016 | \$ 352,956 |
| Other liabilities – indemnity liability resulting from the sale of AB to Atlas (hereinafter Poseidon) | \$ (7,772) | \$ (12,541) |

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

| (In thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|--------------------|---------------------------|-----------------|
| | 2024 | 2023 | 2024 | 2023 |
| Included in net income (loss), before tax | | | | |
| Net investment income | \$ 2,095 | \$ 3,051 | \$ 1,129 | \$ 8,155 |
| Net realized gains (losses) on investments | 519 | 777 | (70) | 2,883 |
| Change in net unrealized gains/losses on fair value option investments | (7,987) | (13,368) | (17,471) | (554) |
| Net losses on derivatives | | | | (1,390) |
| Included in other comprehensive income (loss), before tax: | | | | |
| Change in unrealized gains/losses on investments, before tax | 561 | 1,834 | 920 | 2,104 |
| Change in unrealized foreign currency translation adjustments, before tax | (1,570) | (2,970) | (896) | (3,424) |
| Included in total comprehensive income (loss), before tax: | \$ (6,382) | \$ (10,676) | \$ (16,388) | \$ 7,774 |
| Other liabilities – indemnity liability resulting from the sale of AB to Atlas (hereinafter Poseidon) - other realized losses | \$ (502) | | \$ (502) | \$ (222) |

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On July 2, 2024, Prime One Capital (“Prime One”) and Fairfax affiliates, including the Company, completed a tender offer first announced in May 2024 to acquire all the outstanding shares not already owned by the Fairfax and Prime One of Ovostar Union Public Company Limited, an affiliate of Fairfax and the Company. This privatization transaction is expected to close in the third quarter of 2024.

In April 2021, Fairfax signed an amendment agreement in relation to the original sale of APR Energy to Atlas Corp. (“Atlas”) to potentially compensate Atlas for certain amounts and balances acquired in the transaction (“AB Indemnity”). In the six months ended June 30, 2024 and 2023, the Company paid \$5.3 million and \$1.8 million, respectively, to Poseidon (formerly Atlas) and recorded net realized losses of \$0.5 million and \$0.2 million, respectively, related to the AB Indemnity.

In March 2024, Fairfax, through its subsidiaries, completed privatization of FE, an affiliate of Fairfax and the Company, and acquired all the outstanding common shares of FE not previously held by Fairfax and its subsidiaries for a price of CAD \$0.35 per share. FE’s common stock was delisted from the Toronto Stock Exchange at the close of trading on March 25, 2024. As of June 30, 2024 and December 31, 2023, the carrying value of the Company’s equity-method investment in FE common stock was zero.

In March 2024, the Company recorded an additional other-than-temporary impairment of \$1.0 million for the equity-accounted Boat Rocker affiliated common stock as a result of continuous decline in the traded value of Boat Rocker shares. As of June 30, 2024 and December 31, 2023, the carrying value of the Company’s equity-method investment in Boat Rocker common stock was \$3.1 million and \$4.8 million, respectively.

In October 2023, Fairfax, through its subsidiaries, including the Company, made a \$750 million commitment to Waterous Energy Fund III (International FI) LP (“Waterous LP”), an oil and gas limited partnership managed by WEF III GP (International FI) Corp, and located in Calgary, Canada. The Company’s share of the commitment is \$4.0 million, and it contributed \$0.1 million to the fund in January 2024. Fairfax concluded to have significant influence over Waterous LP; therefore, it became an affiliate of Fairfax and the Company. The Company elected fair value option accounting for its investment in Waterous LP, and the carrying value of this investment was approximately \$43,000 and as of June 30, 2024.

In March 2023, Fairfax finalized an agreement with ONX Inc. (“ONX”) to purchase debentures, warrants and additional preferred shares resulting in an increase to Fairfax’s ownership and board representation. Thus, Fairfax concluded that it had significant influence over ONX, and ONX became an affiliate of Fairfax and the Company. The Company’s share of this investment was \$9.0 million in preferred stock and \$0.5 million in common stock of ONX, and the Company elected the fair value option of accounting for these investments. As of both June 30, 2024 and December 31, 2023, the carrying values of the Company’s investments in ONX preferred and common stock were \$9.0 million and \$0.5 million, respectively.

In March 2023, the Company purchased an additional 3.1 million common stock shares in GH, an affiliate of Fairfax and the Company for \$5.4 million. In July 2022, Fairfax through its subsidiaries, including the Company, increased its interest in GH by acquiring additional common stock shares and commenced consolidating GH in the third quarter of 2022. The Company’s share of this additional investment was \$7.1 million. The Company continues to account for its investment in GH affiliated common stock using the equity-method of accounting. As of June 30, 2024 and December 31, 2023, the carrying value of the Company’s investment in GH affiliated common stock was \$11.9 million and \$12.3 million, respectively.

In March 2023, Atlas and Poseidon Acquisition Corp. (“PAC”) announced the completion of the acquisition by PAC of all outstanding common shares of Atlas not already owned by Fairfax and other Poseidon investors (“Poseidon Merger”). PAC was a consortium formed by Fairfax and other investors to complete the Poseidon Merger. The surviving entity was renamed Poseidon.

In January 2023, in connection with the Poseidon Merger, the Company exercised its Atlas common stock warrants for a cash payment of \$8.5 million, in exchange for 0.7 million of Atlas common stock shares, recorded at a cost of \$10.0 million. Separately, on March 9, 2023, Fairfax, including the Company, received additional Atlas common stock shares that were previously held back at the time of the closing of the sale transaction of APR Energy (known as AB, an affiliated investment of both Fairfax and the Company) to Atlas on February 28, 2020. The Company recorded its portion of Atlas common stock shares received at cost of \$0.9 million, with an offset recorded in realized gain – other (effectively recognizing additional realized gain on the sale of APR Energy to Atlas). As of both June 30, 2024 and December 31, 2023, the carrying value of the Company’s fair value option investment in Poseidon (formerly Atlas) common stock was \$55.9 million. The Company also owns preferred stock issued by Atlas, with the carrying value of \$9.9 million and \$9.6 million as of June 30, 2024 and December 31, 2023, respectively.

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Other

In the six months ended June 30, 2024, Zenith National paid ordinary cash dividends of \$100.0 million to affiliates of Fairfax and the Company. No dividends were paid in the six months ended June 30, 2023.

In the six months ended June 30, 2024, Zenith Insurance paid ordinary cash dividends of \$105.0 million to Zenith National. Zenith Insurance has the ability to pay up to \$100.3 million of additional dividends to Zenith National without prior approval of the California Department of Insurance (“California DOI”) during the remainder of 2024. No dividends were paid in the three months ended June 30, 2024 and the three and six months ended June 30, 2023.

The Company continues to be a party to the reinsurance agreements with various subsidiaries of Allied World Assurance Company Holdings, Ltd. (collectively “Allied”), an affiliate of Fairfax and the Company for 2021 through 2024. The following table summarizes the significant impact from these agreements on various components of the balance sheet:

| (In thousands) | June 30, 2024 | December 31, 2023 |
|--|------------------|----------------------|
| Assets: | | |
| Premiums receivable | \$ 8,372 | \$ 9,082 |
| Deferred policy acquisition costs | 6,593 | 7,156 |
| Liabilities: | | |
| Unpaid losses and loss adjustment expenses | 49,467 | 41,945 |
| Unearned premiums | 18,186 | 19,791 |

The following table summarizes the significant impact from these agreements on various components of net income (loss):

| (In thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|-----------|---------------------------|-----------|
| | 2024 | 2023 | 2024 | 2023 |
| Revenues: | | | | |
| Net premium earned | \$ 10,604 | \$ 10,622 | \$ 21,374 | \$ 20,362 |
| Expenses: | | | | |
| Loss and loss adjustment expenses incurred | 4,724 | 6,398 | 11,405 | 12,647 |
| Policy acquisition costs | 3,906 | 3,925 | 7,887 | 7,485 |

The Company continues to be a party to various ceded reinsurance treaties with affiliates of Fairfax that were entered into in the ordinary course of business, primarily excess of loss reinsurance agreements with Odyssey Reinsurance Company for 2010 through 2024. As of June 30, 2024 and December 31, 2023, the Company recorded net receivable from reinsurers of \$0.3 million and \$0.4 million, respectively, related to the reinsurance transactions with affiliates of Fairfax. In the three and six months ended June 30, 2024, and 2023, the Company recorded \$1.0 million and \$1.9 million, respectively for both years, of ceded premium earned, net of ceded commissions related from the affiliates.

In the three and six months ended June 30, 2024, Zenith National paid Fairfax \$8.0 million and \$10.1 million, respectively, compared to \$0.1 million paid in the first quarter of 2023, 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. In the three and six months ended June 30, 2024, service fee income recorded in the Consolidated Statements of Comprehensive Income (Loss) for RiverStone was \$1.6 million and \$3.5 million, respectively, compared to \$1.5 million and \$3.3 million for the same periods of 2023 and for Seneca was approximately \$16,000 and

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\$27,000, respectively, compared to approximately \$12,000 and \$38,000 for the same periods of 2023. As of June 30, 2024 and December 31, 2023, the Company recorded a net liability of \$6.5 million and \$4.2 million, respectively, to RiverStone. This was comprised of a loss fund held for RiverStone claims of \$7.0 million and \$4.7 million for the respective periods, offset by service fee receivables from RiverStone of \$0.5 million and \$0.4 million, respectively. At both June 30, 2024 and December 31, 2023, 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 June 30, 2024 and December 31, 2023, and their respective A.M. Best ratings were as follows:

| (In thousands) | June 30, 2024 (a) | December 31, 2023 (a) | A.M. Best Rating (b) | A.M. Best Rating Date |
|--|----------------------|--------------------------|-------------------------|--------------------------|
| General Reinsurance Company | \$ 19,748 | \$ 20,137 | A++ | 05-2024 |
| Hannover Rueck SE | 7,656 | 5,383 | A+ | 12-2023 |
| Partner Reinsurance Company | 7,643 | 5,302 | A+ | 02-2024 |
| Transatlantic Reinsurance Company | 5,730 | 5,934 | A++ | 01-2024 |
| Zenith Insurance 2019 California AG IC 1 LLC | 2,946 | 2,401 | NR | |
| Factory Mutual Insurance Company | 2,276 | 1,779 | A+ | 01-2024 |
| Axis Reinsurance Company | 2,179 | 1,703 | A | 09-2023 |
| Odyssey Reinsurance Company (c) | 1,763 | 1,340 | A+ | 07-2024 |
| Renaissance Reinsurance US Inc | 1,624 | 1,263 | A+ | 09-2023 |
| Chaucer Ins Co Designated Activity Co | 1,532 | 1,195 | A+ | 11-2023 |
| All others (d) | 2,457 | 3,104 | | |
| Total | \$ 55,554 | \$ 49,541 | | |

- (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) See Note 5 for additional related party description.
- (d) No individual reinsurer in excess of \$1.2 million as of June 30, 2024 and December 31, 2023.

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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) | Six Months Ended June 30, | |
|--|---------------------------|--------------|
| | 2024 | 2023 |
| Beginning of period, net of reinsurance | \$ 999,781 | \$ 1,010,651 |
| Incurred claims: | | |
| Current accident year | 223,093 | 225,042 |
| Prior accident years | (20,489) | (21,099) |
| Total incurred claims | 202,604 | 203,943 |
| Payments: | | |
| Current accident year | (51,395) | (46,891) |
| Prior accident years | (164,963) | (160,437) |
| Total payments | (216,358) | (207,328) |
| End of period, net of reinsurance | 986,027 | 1,007,266 |
| Receivable from reinsurers for unpaid losses | 45,699 | 39,066 |
| End of period, gross of reinsurance | \$ 1,031,726 | \$ 1,046,332 |

Note 8. 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 | (57,461) |
| Vested | (106,384) |
| Purchased and available for future grants | (10,522) |
| Available for future purchases as of June 30, 2024 | 325,633 |

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, 2021 | 144,396 | \$ 436.59 | \$ 63,042 |
| Purchased in 2022 | 18,290 | 509.21 | 9,313 |
| Purchased in 2023 | 2,425 | 872.64 | 2,116 |
| Purchased in 2024 | 9,256 | 1,091.33 | 10,101 |
| Total purchased since plan inception | 174,367 | 485.02 | \$ 84,572 |

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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 as of December 31, 2021 | 69,940 | \$ 446.45 | \$ 31,225 |
| Granted during 2022 | 11,893 | 494.64 | 5,883 |
| Forfeited during 2022 | (1,905) | 448.30 | (854) |
| Vested during 2022 | (14,211) | 449.96 | (6,394) |
| Restricted Shares as of December 31, 2022 | 65,717 | 454.36 | 29,860 |
| Granted during 2023 | 8,420 | 514.35 | 4,331 |
| Forfeited during 2023 | (1,178) | 452.36 | (533) |
| Vested during 2023 | (10,377) | 506.66 | (5,258) |
| Restricted Shares as of December 31, 2023 | 62,582 | 453.79 | 28,400 |
| Granted during 2024 | 5,678 | 559.06 | 3,174 |
| Vested during 2024 | (10,799) | 473.06 | (5,109) |
| Restricted Shares as of June 30, 2024 | 57,461 | 460.57 | \$ 26,465 |

In the three and six months ended June 30, 2024, stock-based compensation expense before tax was \$1.4 million and \$2.9 million, respectively, compared to \$1.4 million and \$2.9 million for the same periods in 2023.

As of June 30, 2024 and December 31, 2023, unrecognized compensation expense before tax under the Restricted Stock Plan was \$12.7 million and \$12.5 million, respectively.

Note 9. 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.