Zenith National Insurance Corp. and Subsidiaries

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

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

(In thousands, except par value)	September 30, 2024	December 31, 2023
Assets:		
Investments:		
Fixed maturity securities, at fair value (amortized cost $883,439 in 2024 and $1,030,941 in 2023)	$ 912,052	$ 1,052,865
Equity securities, at fair value (cost $274,930 in 2024 and $273,401 in 2023)	331,648	312,725
Short-term investments, at fair value	4,207	7,550
Mortgage loans, at fair value (amortized cost $219,990 in 2024 and $218,523 in 2023)	211,975	210,758
Other investments	212,479	213,447
Derivative assets, at fair value (cost $7,025 in 2024 and $17,835 in 2023)	754	2,551
Total investments	1,673,115	1,799,896
Cash and cash equivalents	105,927	39,060
Accrued investment income	9,270	11,958
Premiums receivable	73,343	64,982
Earned but unbilled premium receivable	3,219	5,218
Reinsurance recoverables	67,485	49,541
Deferred policy acquisition costs	25,982	23,087
Deferred tax asset	59,414	65,887
Income tax receivable	588	
Operating lease right-of-use assets	36,129	23,799
Goodwill	20,985	20,985
Other assets	55,813	59,025
Total assets	$ 2,131,270	$ 2,163,438
Liabilities:		
Unpaid losses and loss adjustment expenses	$ 1,036,151	$ 1,045,700
Unearned premiums	143,583	129,080
Policyholders' dividends accrued	30,150	31,848
Long-term debt	38,390	38,368
Income tax payable		704
Operating lease liabilities	37,978	25,329
Derivative liabilities	384	2,276
Other liabilities	99,795	100,214
Total liabilities	1,386,431	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	395,704	401,199
Retained earnings	363,423	406,673
Accumulated other comprehensive loss	(14,327)	(17,992)
Total stockholders' equity	744,839	789,919
Total liabilities and stockholders' equity	$ 2,131,270	$ 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
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2024	2023	2024	2023
Revenues:				
Net premiums earned	$ 189,188	$ 189,814	$ 547,014	$ 547,065
Net investment income	21,746	22,422	51,705	53,465
Net realized gains on investments	1,588	10	301	103,398
Change in net unrealized gains/losses on fair value option investments	67,591	(2,580)	15,882	(101,852)
Net gains (losses) on derivatives	(1,622)	3,781	438	2,033
Service fee revenue	2,443	2,032	7,576	5,908
Total revenues	280,934	215,479	622,916	610,017
Expenses:				
Losses and loss adjustment expenses incurred	106,529	100,461	309,133	304,404
Underwriting and other operating expenses:				
Policyholder acquisition costs	41,232	41,131	120,852	118,348
Underwriting and other costs	34,995	33,450	105,449	97,681
Policyholders' dividends	3,605	4,012	12,309	14,038
Interest expense	830	830	2,490	2,490
Total expenses	187,191	179,884	550,233	536,961
Income before tax	93,743	35,595	72,683	73,056
Income tax expense	19,542	7,100	15,933	15,938
Net income	$ 74,201	$ 28,495	$ 56,750	$ 57,118
Change in unrealized gains/losses on investments, net of tax	1,249	(1,587)	1,976	76
Change in unrealized foreign currency translation adjustments, net of tax	2,397	336	1,689	(2,369)
Other comprehensive income (loss)	3,646	(1,251)	3,665	(2,293)
Total comprehensive income	$ 77,847	$ 27,244	$ 60,415	$ 54,825

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)	Nine Months Ended September 30, 2024	2023
Cash flows from operating activities:		
Premiums collected, net of reinsurance	$ 551,515	$ 549,771
Investment income received	37,818	28,126
Losses and loss adjustment expenses paid, net of reinsurance	(333,195)	(305,479)
Underwriting and other operating expenses paid	(219,275)	(212,190)
Interest paid	(3,292)	(3,292)
Income taxes paid	(11,731)	(29,904)
Net cash provided by operating activities	21,840	27,032
Cash flows from investing activities:		
Purchases of investments:		
Fixed maturity securities - fair value option	(39,381)	(708,977)
Equity securities - fair value option	(1,836)	(51,217)
Mortgage loans	(11,775)	(113,422)
Other investments	(8,577)	(10,003)
Derivatives		(6,669)
Proceeds from maturities and redemptions of investments:		
Fixed maturity securities - fair value option	12,361	22,292
Proceeds from sales of investments:		
Fixed maturity securities - fair value option	180,394	565,943
Equity securities - fair value option	474	189,173
Mortgage loans	12,858	61,277
Other investments	12,727	6,810
Net decrease in short-term investments	5,632	21,188
Net derivative cash settlements	343	610
Capital expenditures and other	(8,092)	(3,774)
Net cash provided by (used in) investing activities	155,128	(26,769)
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 in cash and cash equivalents	66,867	146
Cash and cash equivalents at beginning of period	39,060	37,736
Cash and cash equivalents at end of period	$ 105,927	$ 37,882

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)	2024	2023
Reconciliation of net income to net cash provided by operating activities:		
Net income	$ 56,750	$ 57,118
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	1,183	1,302
Net accretion	(8,892)	(9,814)
Net realized gains on investments	(301)	(103,398)
Change in net unrealized gains/losses on fair value option investments	(15,882)	101,852
Net gains on derivatives	(438)	(2,033)
Equity in earnings of investee	(4,011)	(9,410)
Stock-based compensation expense	4,606	4,324
Decrease (increase) in:		
Accrued investment income	2,688	(3,381)
Premiums receivable	(8,670)	(9,355)
Reinsurance recoverables	(17,944)	9,267
Deferred policy acquisition costs	(2,895)	(2,475)
Net income taxes	4,202	(13,966)
Increase (decrease) in:		
Unpaid losses and loss adjustment expenses	(9,549)	(11,539)
Unearned premiums	14,503	17,409
Policyholders' dividends accrued	(1,698)	2,102
Accrued expenses	8,133	(327)
Interest payable	(823)	(823)
Prepaid policy and guarantee fund assessments	4,078	2,515
Other	(3,200)	(2,336)
Net cash provided by operating activities	$ 21,840	$ 27,032

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)	2024	2023
Common stock:	$ 39	$ 39
Additional paid-in capital:		
Beginning of period	401,199	397,682
Stock-based compensation expense	4,606	4,324
Purchases of Fairfax shares for restricted stock awards	(10,101)	(117)
End of period	395,704	401,889
Retained earnings:		
Beginning of period	406,673	318,733
Net income	56,750	57,118
Dividends to common stockholders	(100,000)	
End of period	363,423	375,851
Accumulated other comprehensive loss:		
Beginning of period	(17,992)	(11,848)
Change in unrealized gains/losses on investments, net of tax	1,976	76
Change in unrealized foreign currency translation adjustments, net of tax	1,689	(2,369)
End of period	(14,327)	(14,141)
Total stockholders' equity	$ 744,839	$ 763,638

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. 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.

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 November 12, 2024.

Note 2. Cash, Cash Equivalents and Investments

Cash and cash equivalents include substantially all of the Company's operating cash balances that are invested in a highly liquid overnight money market fund, administered by Bank of America through a daily sweep mechanism. The invested balance as of September 30, 2024 and December 31, 2023 was $34.6 million and $43.7 million, respectively. As of September 30, 2024, cash and cash equivalents also included restricted cash of $70.5 million at a depository in connection with the Company's acquisition of Sleep Country Canada Holdings Inc. ("Sleep Country") common stock investment. See Note 5.

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

	Cost or Amortized	Gross Unrealized		Fair
(In thousands)	Cost	Gains	(Losses)	Value (a)
September 30, 2024				
Fair value option investments:				
Fixed maturity securities:				
U.S. Government debt	$ 819,351	$ 24,112	$ (187)	$ 843,276
Foreign government debt	16,036		(1,297)	14,739
Corporate debt	48,052	6,055	(70)	54,037
Total fixed maturity securities	883,439	30,167	(1,554)	912,052
Equity securities	274,930	90,438	(33,720)	331,648
Short-term investments	4,207			4,207
Mortgage loans	219,990		(8,015)	211,975
Cost-method partnerships (b)	42,802	9,725	(3,100)	49,427
Affiliate corporate loans (b)	7,090		(97)	6,993
Contingent consideration receivable (b)	22,731		(5,744)	16,987
Total fair value option investments	$ 1,455,189	$ 130,330	$ (52,230)	$ 1,533,289
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 (b)	38,283	10,900	(2,313)	46,870
Affiliate corporate loans (b)	7,091	119		7,210
Contingent consideration receivable (b)	23,525	29		23,554
Total fair value option investments	$ 1,599,314	$ 116,406	$ (54,188)	$ 1,661,532

(a) Cost-method partnerships, affiliate corporate loans and contingent consideration receivable are included in other investments in the Consolidated Balance Sheets and are detailed in the table below.

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

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

(In thousands)		Fair Value
Due in one year or less	$	14,491
Due after one year through five years		524,567
Due after five years through ten years		351,387
Due after ten years		25,814
Total	$	916,259

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

As of September 30, 2024 and December 31, 2023, total investments in the Consolidated Balance Sheets also included other investments detailed below and derivative contracts described in Note 3.

(In thousands)		September 30, 2024		December 31, 2023
Equity-method common stock (a)	$	139,072	$	135,813
Cost-method partnerships, at fair value (cost $42,802 in 2024 and $38,283 in 2023) (b)		49,427		46,870
Affiliate corporate loans, at fair value (amortized cost $7,090 in 2024 and $7,091 in 2023)		6,993		7,210
Contingent consideration receivable, at fair value (cost $22,731 in 2024 and $23,525 in 2023)		16,987		23,554
Total other investments	$	212,479	$	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 September 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 September 30, 2024 and December 31, 2023:

(In thousands)	Carrying Value September 30, 2024	Carrying Value December 31, 2023	Carrying Value less Underlying Net Asset Value September 30, 2024	Carrying Value less Underlying Net Asset Value December 31, 2023	Quoted Market Value September 30, 2024	Quoted Market Value December 31, 2023	Relative Economic Ownership September 30, 2024
FF Meadow Holdings Limited	$ 53,654	$ 50,428					20.3 %
Fairfax India Holdings Corp.	29,751	28,928	$ (618) (a)	$ (579) (a)	$ 21,022	$ 21,474	1.0 %
Grivalia Hospitality S.A.	11,591	12,349	5,791 (a)	5,988 (a)			1.8 %
Exco Resources Inc.	10,813	10,175	(1,230) (a)	(578) (a)			1.3 %
Peak Achievement Athletics	8,149	8,614		(1,204) (c)			2.8 %
Astarta Holdings NV	7,648	6,421	(7,546) (b)	(7,299) (b)	6,688	5,900	3.3 %
Boat Rocker Media Inc.	7,227	4,774	(9,183) (b)	(8,035) (b)	3,429	4,774	8.9 %
Helios Fairfax Partners Corp.	6,192	10,466	(13,143) (b)	(13,130) (b)	10,889	11,074	4.3 %
Alberta ULC	4,047	3,658					5.0 %
Total common stocks, at equity	$ 139,072	$ 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 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.

Net investment income was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2024	2023	2024	2023
Fixed maturity securities (a)	$ 10,435	$ 9,133	$ 31,754	$ 25,368
Mortgage loans	5,141	7,119	15,781	15,738
Equity securities	1,844	3,219	5,109	6,989
Short-term and other investments	650	1,104	2,179	2,844
Net income from equity-method investments (b)	5,692	4,302	4,011	9,410
Subtotal	23,762	24,877	58,834	60,349
Investment expenses	2,016	2,455	7,129	6,884
Net investment income	$ 21,746	$ 22,422	$ 51,705	$ 53,465

(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 nine months ended September 30, 2024 compared to the same periods in 2023.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2024	2023	2024	2023
Peak Achievement Athletics	$ 1,370	$ 1,407	$ 3,480	$ 1,196
Astarta Holdings NV			2,561	2,692
Boat Rocker Media Inc.	2,718	(460)	1,708	(954)
Fairfax India Holdings Corp.	2,656	1,647	958	2,024
Exco Resources Inc.	(125)	343	637	3,310
Alberta ULC	43	186	438	314
Grivalia Hospitality S.A.	(265)	(89)	(1,415)	(1,124)
Helios Fairfax Partners Corp.	(705)	170	(4,356)	1,218
Farmers Edge Inc. (1)				(255)
AGT Food and Ingredients Inc. (2)		1,098		989
Income from equity-method investments	$ 5,692	$ 4,302	$ 4,011	$ 9,410

(1) As of September 30, 2024, based on the latest Farmers Edge Inc. ("FE") GAAP financial statements as of December 31, 2022 (audited) and International Financial Reporting Standards ("IFRS") financial statements as of June 30, 2024 (unaudited), the Company's remaining share of the FE's reduction in equity not yet recognized in the Company's results was approximately $3.0 million.

(2) As of September 30, 2024, based on the latest AGT Food and Ingredients Inc. ("AGT") GAAP financial statements as of December 31, 2022 (audited) 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 not yet recognized in its results.

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

(In thousands)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Sales of equity securities (a)	$ (11)		$ 168	$ 109,758
Sales of fixed maturity securities, including short-term investments and other (b)	(60)	$ (1,260)	(2,540)	(9,172)
Gains from other investments (c)	1,659	1,270	2,673	2,812
Net realized gains on investments	$ 1,588	$ 10	$ 301	$ 103,398

(a) Net realized gains on sales of equity securities in the nine months ended September 30, 2024 consisted primarily of a realized gain on sale of one common stock investment.

Net realized gains on sales of equity securities in the nine months ended September 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 nine months ended September 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 nine months ended September 30, 2023 were primarily from sales of U.S. government securities.

(c) Net realized gains from other investments in the three months ended September 30, 2024 primarily included realized gains from cost-partnership distributions of $1.7 million. Net realized gains from other investments in the nine months ended September 30, 2024 primarily included realized gains from cost-method partnership distributions of $3.6 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 from other investments in the three and nine months ended September 30, 2023 were primarily from realized gains on a distribution from Transportation Recovery Fund, an affiliated limited partnership investment, of $2.6 million.

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

(In thousands)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Change in net unrealized gains/losses recognized on fair value option investments	$ 67,591	$ (2,580)	$ 15,882	$ (101,852)
Less: Net losses (gains) recognized on fair value option investments sold (a)	(102)	3,613	859	(97,330)
Change in net unrealized gains/losses recognized on fair value option investments still held at the reporting date	$ 67,693	$ (6,193)	$ 15,023	$ (4,522)

(a) Net gain recognized on fair value option investments sold in the nine months ended September 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).

As of September 30, 2024 and December 31, 2023, investments with a fair value of approximately $720 million and $770 million, respectively, were on deposit with regulatory authorities in compliance with insurance company regulations. As of September 30, 2024, the Company had additional qualifying securities with a fair value of approximately $150 million available for deposit.

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, 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 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:

	Notional		Fair Value of Derivative	
(In thousands)	Amount	Cost	Assets	Liabilities
September 30, 2024				
CPI-linked derivatives	$ 1,530,000	$ 5,202		
Foreign exchange forwards	111,078		$ 92	$ 384
Equity warrants	10,000	1,823	662	
Total		$ 7,025	$ 754	$ 384
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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2024	2023	2024	2023
Net gains (losses) on settlements				
Equity warrants				$ 1,366
Equity index put options	$ (4,821)		$ (4,821)	
CPI-linked derivatives	(3,189)		(5,989)	(799)
Foreign exchange forwards	(1,300)	$ 107	343	610
Total	(9,310)	107	(10,467)	1,177
Change in fair value				
Equity warrants	158	(418)	232	(1,787)
Equity index put options	4,766	1,743	2,700	1,743
CPI-linked derivatives	3,189		5,989	799
Foreign exchange forwards	(425)	2,349	1,984	101
Total	7,688	3,674	10,905	856
Net gains (losses) on derivatives				
Equity warrants	158	(418)	232	(421)
Equity index put options	(55)	1,743	(2,121)	1,743
Foreign exchange forwards	(1,725)	2,456	2,327	711
Total net gains (losses) on derivatives	$ (1,622)	$ 3,781	$ 438	$ 2,033

As of September 30, 2024, counterparties had no amount pledged for the Company's benefit. As of December 31, 2023, counterparties pledged $2.1 million of cash for the Company's benefit. The Company recorded the cash collateral in other assets and recorded a corresponding liability in its Consolidated Balance Sheets.

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.

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

		Fair Value Measurement Using		
(In thousands)	Total (a)	Level 1	Level 2	Level 3
September 30, 2024				
Fair value option securities:				
Fixed maturity securities:				
U.S. government debt	$ 843,276		$ 843,276	
Foreign government debt	14,739		14,739	
Corporate debt	54,037		44,166	$ 9,871
Total fixed maturity securities	912,052		902,181	9,871
Equity securities (b)	331,648	$ 174,933	9,965	112,705
Short-term investments	4,207	4,207		
Mortgage loans (c)	211,975			211,975
Cost-method partnerships (b) (d)	49,427			
Affiliate corporate loans (d)	6,993			6,993
Contingent consideration receivable (d)	16,987			16,987
Total fair value option investments	$ 1,533,289	$ 179,140	$ 912,146	$ 358,531
Derivatives:				
Equity warrants	$ 662			$ 662
Foreign exchange forwards	92		$ 92	
Total derivative assets	754		92	662
Foreign exchange forwards	(384)		(384)	
Total derivative liabilities	(384)		(384)	
Net derivatives	$ 370		$ (292)	$ 662

		Fair Value Measurement Using		
(In thousands)	Total (a)	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 (b)	312,725	$ 162,034	9,555	112,787
Short-term investments	7,550	7,550		
Mortgage loans (c)	210,758			210,758
Cost-method partnerships (b) (d)	46,870			
Affiliate corporate loans (d)	7,210			7,210
Contingent consideration receivable (d)	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.

(b) As of September 30, 2024 and December 31, 2023, certain common stock investments with a fair value of $34.0 million and $28.3 million, respectively, and cost-method partnerships with a fair value of $49.4 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 September 30, 2024 and December 31, 2023, no mortgage loans were 90 days or more past due.

(d) Cost-method partnerships, affiliate corporate loans and contingent consideration receivable are included in other investments in the Consolidated Balance Sheets.

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 June 30, 2024	$ 9,340	$ 110,227	$ 206,775	$ 7,014	$ 22,091	$ 504
Purchases			5,231			
Sales			(77)		(425)	
Realized and unrealized gains/losses included in:						
Net investment income – accretion of discounts			176			
Net realized losses on investments					(27)	
Change in net unrealized gains/losses on fair value option investments	531	2,478	(130)	(21)	(4,652)	
Net gains on derivatives						158
Balance as of September 30, 2024	$ 9,871	$ 112,705	$ 211,975	$ 6,993	$ 16,987	$ 662
Balance as of December 31, 2023	$ 10,135	$ 112,787	$ 210,758	$ 7,210	$ 23,554	$ 430
Purchases			13,800			
Sales			(13,098)		(746)	
Realized and unrealized gains/losses included in:						
Net investment income – accretion of discounts			655			
Net realized gains (losses) on investments			110		(48)	
Change in net unrealized gains/losses on fair value option investments	(264)	(82)	(250)	(217)	(5,773)	
Net gains on derivatives						232
Balance as of September 30, 2024	$ 9,871	$ 112,705	$ 211,975	$ 6,993	$ 16,987	$ 662

(In thousands)	Corporate Debt	Equity Securities (a)	Mortgage Loans	Affiliate Corporate Loans	Contingent Consideration Receivable (b)	Derivatives
Balance as of June 30, 2023	$ 12,633	$ 48,520	$ 253,386	$ 9,497	$ 28,098	$ 1,366
Purchases			12,638			
Sales	(3,798)		(50,297)		(544)	
Realized and unrealized gains/losses included in:						
Net investments income – accretion of discounts			1,340			
Net realized gains (losses) on investments	999		280		(25)	
Change in net unrealized gains/losses on fair value option investments	(597)	(1,302)		(63)	176	
Net losses on derivatives						(418)
Transfer in from Level 1 (c)		55,859				
Balance as of September 30, 2023	$ 9,237	$ 103,077	$ 217,347	$ 9,434	$ 27,705	$ 948
Balance as of December 31, 2022	$ 2,124	$ 38,921	$ 162,019	$ 8,913	$ 15,723	$ 1,879
Purchases	5,339	8,167	114,075		11,759	990
Sales	(3,798)		(61,277)		(2,260)	(1,500)
Realized and unrealized gains/losses included in:						
Net investments income – accretion of discounts			1,785			
Net realized gains (losses) on investments	999		745		(115)	
Change in net unrealized gains/losses on fair value option investments	4,573	130		521	2,598	
Net losses on derivatives						(421)
Transfer in from Level 1 (c)		55,859				
Balance as of September 30, 2023	$ 9,237	$ 103,077	$ 217,347	$ 9,434	$ 27,705	$ 948

(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.

(c) Transfers in from Level 1 relate to the Company's investment in Poseidon Corp. (formerly Atlas Corp. ("Atlas") and hereinafter "Poseidon") common stock as a result of Atlas' privatization. Atlas stock was publicly traded, while Poseidon common stock is priced internally using both observable and unobservable inputs. 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"), an affiliate of Fairfax and the Company. In the three and nine months ended September 30, 2024, investment management expenses incurred under these agreements were $1.1 million and $3.7 million, respectively, compared to $1.3 million and $3.9 million, respectively, for the same periods in 2023.

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. 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 September 30, 2024 and December 31, 2023 were as follows:

(In thousands)	September 30, 2024	December 31, 2023
Equity securities, at fair value	$ 228,544	$ 204,272
Other investments:		
Equity-method common stock	139,072	135,813
Partnerships, at fair value	951	5,661
Affiliate corporate loans, at fair value	6,993	7,210
Total affiliated investment assets	$ 375,560	$ 352,956
Other liabilities – indemnity liability resulting from the sale of AB to Poseidon	$ (7,772)	$ (12,541)

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

(In thousands)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Included in net income, before tax				
Net investment income	$ 7,424	$ 7,408	$ 8,553	$ 15,563
Net realized gains on investments	728	1,179	658	4,062
Change in net unrealized gains/losses on fair value option investments	40,195	(12,757)	22,724	(13,311)
Net losses on derivatives				(1,390)
Included in other comprehensive income (loss), before tax:				
Change in unrealized gains/losses on investments, before tax	1,581	(2,008)	2,501	96
Change in unrealized foreign currency translation adjustments, before tax	3,034	426	2,138	(2,998)
Included in total comprehensive income, before tax:	$ 52,962	$ (5,752)	$ 36,574	$ 2,022
Other liabilities – indemnity liability resulting from the sale of AB to Poseidon - other realized losses			$ (502)	$ (222)

In July 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 held by Fairfax and the Company for consideration of Cdn$70.00 per share (consisting of Cdn$60.00 cash and Cdn$10.00 in Cliffs common stock), which received shareholder approval on September 16, 2024. Subsequent to September 30, 2024, Stelco received final regulatory approvals and the transaction closed on November 1, 2024. The Company's current estimate is a pre-tax gain of approximately $59 million on the sale of approximately 1.7 million shares of Stelco common stock, calculated as the difference between expected consideration of approximately $85 million ($50 per common share) over the original cost of its investment in Stelco of approximately $26 million.

In July 2024, Fairfax announced acquisition, through its subsidiaries, of all issued and outstanding common shares of Sleep Country for Cdn$35.00 in cash per common share. This transaction closed on October 1, 2024. Sleep Country became an affiliate of Fairfax and the Company simultaneously with this acquisition, and the Company will account for its investment in Sleep Country using equity-method accounting. The Company's share of this acquisition is $70.5 million (Cdn$95.0 million). On September 26, 2024, the Company transferred Cdn$95.0 million in cash into an escrow account to facilitate due diligence, transfer agency and legal requirements for closing the transaction. Cash held in escrow was recorded as a restricted cash component of cash and cash equivalents on the Consolidated Balance Sheet as of September 30, 2024.

In August 2024, Peak Achievement Athletics ("PAA"), an affiliate of Fairfax and the Company, made a cash distribution to its shareholders. The Company's share of the cash distribution was $4.0 million, which was recorded as a reduction to the carrying value of its equity-method investment. On September 30, 2024, PAA announced that Fairfax, through its subsidiaries including the Company, will acquire all the equity interests in PAA currently owned by Sagard Holdings Inc. The transaction is expected to close in the fourth quarter of 2024. As of September 30, 2024 and December 31, 2023, the carrying value of the Company's equity-method investment in PAA common stock was $8.1 million and $8.6 million, respectively.

In August 2024, Prime One Capital (“Prime One”) and Fairfax affiliates, including the Company, completed a privatization transaction via a tender offer to acquire all the outstanding shares of Ovostar Union Public Company ("Ovostar"), an affiliate of Fairfax and Zenith not already owned by the Fairfax and Prime One. As a result, Ovostar shares were delisted from the Warsaw Stock Exchange. Under GAAP, the Company elected the fair value option accounting for its investment in Ovostar. The carrying value of this investment was $11.0 million and $10.8 million as of September 30, 2024 and December 31, 2023, respectively.

In April 2021, Fairfax signed an amendment agreement in relation to the original sale of APR Energy to Atlas to potentially compensate Atlas for certain amounts and balances acquired in the transaction (“AB Indemnity”). In the nine months ended September 30, 2024 and 2023, the Company paid $5.3 million and $1.8 million, respectively, to Poseidon 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 the 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 Cdn$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 September 30, 2024 and December 31, 2023, the carrying value of the Company's equity-method investment in FE common stock was zero.

In March and June 2024, the Company recorded an additional other-than-temporary impairment of $1.0 million and $0.1 million, respectively, 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 September 30, 2024 and December 31, 2023, the carrying value of the Company's equity-method investment in Boat Rocker common stock was $7.2 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 $31,000 as of September 30, 2024.

In September, 2023, HWIC J, a wholly-owned subsidiary of Fairfax, paid a cash distribution of $1.8 million to the Company, which was recorded as dividend income. As of September 30, 2024 and December 31, 2023, the carrying value of the Company's investment in HWIC J was $14.8 million and $11.7 million, respectively.

In July 2023, the Company sold two of its mortgage loan investments acquired in June 2023 as part of the KW/Pacific Western Bank transaction for $19.9 million in cash to HWIC Property Fund II, a wholly-owned subsidiary of Fairfax. Proceeds represent fair value at the time of sale, which also approximates amortized cost.

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. 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 September 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 Grivalia Hospitality S.A. ("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 September 30, 2024 and December 31, 2023, the carrying value of the Company’s investment in GH affiliated common stock was $11.6 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 September 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 $10.0 million and $9.6 million as of September 30, 2024 and December 31, 2023, respectively.

Other

In the nine months ended September 30, 2024, Zenith National paid an ordinary cash dividend of $100.0 million to affiliates of Fairfax and the Company. No dividends were paid in the nine months ended September 30, 2023.

In the nine months ended September 30, 2024, Zenith Insurance paid an ordinary cash dividend 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 September 30, 2024 and the three and nine months ended September 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 Consolidated Balance Sheets:

(In thousands)	September 30, 2024	December 31, 2023
Assets:		
Premiums receivable	$ 10,091	$ 9,082
Deferred policy acquisition costs	7,018	7,156
Liabilities:		
Unpaid losses and loss adjustment expenses	53,721	41,945
Unearned premiums	19,227	19,791

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2024	2023	2024	2023
Revenues:				
Net premium earned	$ 10,872	$ 11,037	$ 32,246	$ 31,399
Expenses:				
Loss and loss adjustment expenses incurred	6,717	7,617	18,122	20,264
Policy acquisition costs	4,133	4,076	12,004	11,561

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 September 30, 2024 and December 31, 2023, the Company recorded net receivable from reinsurers of $0.6 million and $0.4 million, respectively, related to the reinsurance transactions with affiliates of Fairfax. In the three and nine months ended September 30, 2024, the Company recorded $1.0 million and $2.9 million, respectively, of ceded premium earned, net of ceded commissions related from the affiliates, compared to $1.1 million and $2.9 million, respectively, for the same periods of 2023.

In the nine months ended September 30, 2024, Zenith National paid Fairfax $10.1 million, 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 nine months ended September 30, 2024, service fee income recorded in the Consolidated Statements of Comprehensive Income for RiverStone was $1.7 million and $5.2 million, respectively, compared to $1.6 million and $4.8 million for the same periods of 2023 and for Seneca was approximately $23,000 and $50,000, respectively, compared to approximately $14,000 and $52,000 for the same periods of 2023. As of September 30, 2024 and December 31, 2023, the Company recorded a net liability of $5.5 million and $4.2 million, respectively, to RiverStone. This comprised of a loss fund held for RiverStone claims of $6.0 million and $4.7 million for the respective periods, offset by service fee receivables from RiverStone of $0.4 million for each period. At both September 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 September 30, 2024 and December 31, 2023, and their respective A.M. Best ratings were as follows:

(In thousands)	September 30, 2024 (a)	December 31, 2023 (a)	A.M. Best Rating (b)	A.M. Best Rating Date
General Reinsurance Company	$ 30,781	$ 20,137	A++	05-2024
Hannover Rueck SE	8,740	5,383	A+	12-2023
Partner Reinsurance Company	8,733	5,302	A+	02-2024
Transatlantic Reinsurance Company	3,561	5,934	A++	01-2024
Zenith Insurance 2019 California AG IC 1 LLC	3,211	2,401	NR	
Axis Reinsurance Company	2,454	1,703	A	08-2024
Odyssey Reinsurance Company (c)	1,952	1,340	A+	07-2024
Factory Mutual Insurance Company	1,898	1,779	A+	01-2024
Chaucer Ins Co Designated Activity Co	1,852	1,195	A+	11-2023
Renaissance Reinsurance US Inc	1,622	1,263	A+	09-2024
All others (d)	2,681	3,104		
Total	$ 67,485	$ 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 September 30, 2024 and December 31, 2023.

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)	Nine Months Ended September 30, 2024	2023
Beginning of period, net of reinsurance	$ 999,781	$ 1,010,651
Incurred claims:		
Current accident year	338,049	335,305
Prior accident years	(28,916)	(30,901)
Total incurred claims	309,133	304,404
Payments:		
Current accident year	(100,153)	(99,771)
Prior accident years	(228,317)	(206,383)
Total payments	(328,470)	(306,154)
End of period, net of reinsurance	980,444	1,008,901
Receivable from reinsurers for unpaid losses	55,707	39,304
End of period, gross of reinsurance	$ 1,036,151	$ 1,048,205

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	(60,962)
Vested	(106,384)
Purchased and available for future grants	(7,021)
Available for future purchases as of September 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

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	9,179	717.33	6,584
Vested during 2024	(10,799)	473.06	(5,109)
Restricted Shares as of September 30, 2024	60,962	490.06	$ 29,875

In the three and nine months ended September 30, 2024, stock-based compensation expense before tax was $1.7 million and $4.6 million, respectively, compared to $1.4 million and $4.3 million, respectively, for the same periods in 2023.

As of September 30, 2024 and December 31, 2023, unrecognized compensation expense before tax under the Restricted Stock Plan was $14.5 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.