Zenith National Insurance Corp. and Subsidiaries

Consolidated Financial Statements and Supplementary Consolidating Information December 31, 2024 and 2023 and for the Years Ended December 31, 2024, 2023 and 2022

Zenith National Insurance Corp. and Subsidiaries
Consolidated Financial Statements
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Report of Independent Auditors

To the Management of Zenith National Insurance Corp.

Opinion

We have audited the accompanying consolidated financial statements of Zenith National Insurance Corp. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of comprehensive income, of cash flows and of stockholders' equity for each of the three years ended December 31, 2024, 2023 and 2022 including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years ended December 31, 2024, 2023 and 2022 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplemental Information

Accounting principles generally accepted in the United States of America require that information about incurred and paid claims development that precedes the most recent reporting period and the historical claims payout percentages included in Note 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board (FASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

Los Angeles, California
February 28, 2025

ZENITH NATIONAL INSURANCE CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except par value)	December 31, 2024	December 31, 2023
Assets:		
Investments:		
Fixed maturity securities, at fair value (amortized cost $948,679 in 2024 and $1,030,941 in 2023)	$ 946,696	$ 1,052,865
Equity securities, at fair value (cost $269,698 in 2024 and $273,401 in 2023)	255,440	312,725
Short-term investments, at fair value which approximates cost	3,633	7,550
Mortgage loans, at fair value (amortized cost $206,386 in 2024 and $218,523 in 2023)	197,495	210,758
Other investments	281,573	213,447
Derivative assets, at fair value (cost $1,823 in 2024 and $17,835 in 2023)	5,475	2,551
Total investments	1,690,312	1,799,896
Cash and cash equivalents	50,623	39,060
Accrued investment income	9,938	11,958
Premiums receivable	73,536	64,982
Earned but unbilled premium receivable	3,219	5,218
Reinsurance recoverables	62,326	48,392
Deferred policy acquisition costs	25,095	23,087
Deferred tax asset	78,866	65,887
Operating lease right-of-use assets	34,273	23,799
Goodwill	20,985	20,985
Other assets	55,887	56,226
Total assets	$ 2,105,060	$ 2,159,490
Liabilities:		
Unpaid losses and loss adjustment expenses	$ 1,028,134	$ 1,041,752
Unearned premiums	136,352	129,080
Policyholders dividends accrued	26,837	31,848
Long-term debt	38,397	38,368
Income tax payable	10,348	704
Operating lease liabilities	36,077	25,329
Derivative liabilities		2,276
Other liabilities	105,792	100,214
Total liabilities	1,381,937	1,369,571
Commitments and contingencies (see Note 15)		
Stockholders' equity:		
Common stock, $1 par value, 40 authorized shares; 39 shares issued and outstanding	39	39
Additional paid-in capital	397,429	401,199
Retained earnings	336,568	406,673
Accumulated other comprehensive loss	(10,913)	(17,992)
Total stockholders' equity	723,123	789,919
Total liabilities and stockholders' equity	$ 2,105,060	$ 2,159,490

The accompanying notes are an integral part of these Consolidated Financial Statements.

ZENITH NATIONAL INSURANCE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)	Year Ended December 31, 2024	2023	2022
Revenues:			
Net premiums earned	$ 733,916	$ 741,764	$ 727,936
Net investment income	58,887	75,711	31,180
Net realized gains on investments and other	57,099	88,328	7,419
Change in net unrealized gains/losses on fair value option investments	(87,920)	(45,510)	11,684
Net gains (losses) on derivatives	11,609	(6,439)	3,837
Service fee revenue	10,100	8,143	7,574
Total revenues	783,691	861,997	789,630
Expenses:			
Losses and loss adjustment expenses incurred, net of reinsurance	423,757	397,417	398,059
Underwriting and other operating expenses:			
Policy acquisition costs	161,384	157,779	150,039
Underwriting and other costs	141,278	132,796	132,597
Policyholder dividends	15,218	19,288	19,536
Interest expense	3,321	3,321	3,321
Total expenses	744,958	710,601	703,552
Income before tax	38,733	151,396	86,078
Current tax expense	23,700	44,915	16,153
Deferred tax expense (benefit)	(14,862)	(12,259)	2,140
Decrease in valuation allowance		(9,200)	
Total income tax expense	8,838	23,456	18,293
Net income	$ 29,895	$ 127,940	$ 67,785
Change in unrealized gains/losses on investments, net of tax	5,078	(3,045)	(269)
Change in unrealized foreign currency translation adjustments, net of tax	2,001	(3,099)	(2,529)
Other comprehensive income (loss)	7,079	(6,144)	(2,798)
Total comprehensive income	$ 36,974	$ 121,796	$ 64,987

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

(In thousands)	Year Ended December 31, 2024	2023	2022
Cash flows from operating activities:			
Premiums collected, net of reinsurance	$ 735,275	$ 737,366	$ 732,215
Investment income received	49,222	43,543	28,517
Losses and loss adjustment expenses paid, net of reinsurance	(446,045)	(406,696)	(391,545)
Underwriting and other operating expenses paid	(299,101)	(295,794)	(285,076)
Interest paid	(3,292)	(3,292)	(3,292)
Income taxes paid	(14,057)	(44,904)	(16,112)
Net cash provided by operating activities	22,002	30,223	64,707
Cash flows from investing activities:			
Purchases of investments:			
Fixed maturity securities, at fair value	(111,911)	(977,446)	(1,082,773)
Equity securities, at fair value	(12,115)	(49,977)	(75,585)
Mortgage loans	(13,555)	(116,909)	(93,650)
Other investments	(80,362)	(60,599)	(15,456)
Derivatives		(8,800)	(4,958)
Proceeds from maturities and redemptions of investments:			
Fixed maturities securities, at fair value	12,361	33,397	279,502
Other investments			5,000
Proceeds from sales of investments:			
Fixed maturity securities, at fair value	190,092	864,421	736,741
Equity securities, at fair value	74,880	195,367	16,573
Mortgage loans	22,270	63,898	11,514
Other investments	17,191	10,427	7,649
Derivatives			64
Net decrease in short-term investments	3,977	46,613	135,643
Net derivative cash settlements	6,409	2,620	6,062
Proceeds from sale of office building			23,407
Capital expenditures and other	(9,575)	(4,795)	(7,959)
Net cash provided by (used in) investing activities	99,662	(1,783)	(58,226)
Cash flows from financing activities:			
Dividends paid to common stockholders	(100,000)	(25,000)	(64,000)
Purchase of Fairfax shares for restricted stock awards	(10,101)	(2,116)	(9,313)
Net cash used in financing activities	(110,101)	(27,116)	(73,313)
Net increase (decrease) in cash and cash equivalents	11,563	1,324	(66,832)
Cash and cash equivalents at beginning of year	39,060	37,736	104,568
Cash and cash equivalents at end of year	$ 50,623	$ 39,060	$ 37,736

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	Year Ended December 31,		
(In thousands)	2024	2023	2022
Reconciliation of net income to net cash provided by operating activities			
Net income	$ 29,895	$ 127,940	$ 67,785
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense	1,660	1,617	2,324
Net accretion	(12,416)	(12,447)	(617)
Net realized gains on investments and other	(57,099)	(88,328)	(7,419)
Change in net unrealized gains/losses on fair value option investments	87,920	45,510	(11,684)
Net (gains) losses on derivatives	(11,609)	6,439	(3,837)
Equity in (earnings) losses of investee	2,607	(11,739)	(590)
Stock-based compensation expense	6,331	5,633	7,836
Decrease (increase) in:			
Accrued investment income	2,020	(6,355)	(1,137)
Premiums receivable	(6,748)	(9,916)	(11,397)
Reinsurance recoverables	(13,935)	2,085	(4,213)
Deferred policy acquisition costs	(2,008)	(1,348)	(4,196)
Net income taxes	(5,220)	(21,447)	2,183
Increase (decrease) in:			
Unpaid losses and loss adjustment expenses	(13,618)	(13,621)	10,298
Unearned premiums	7,272	7,875	15,969
Policyholders dividends accrued	(5,011)	334	734
Accrued expenses	8,302	(771)	4,901
Prepaid policy and guarantee fund assessments	444	(2,693)	(420)
Other	3,215	1,455	(1,813)
Net cash provided by operating activities	$ 22,002	$ 30,223	$ 64,707

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	Year Ended December 31,		
(In thousands)	2024	2023	2022
Common stock:			
Beginning of year	$ 39	$ 39	$ 39
End of year	39	39	39
Additional paid-in capital:			
Beginning of year	401,199	397,682	399,159
Stock-based compensation expense	6,331	5,633	7,836
Purchases of Fairfax shares for restricted stock awards	(10,101)	(2,116)	(9,313)
End of year	397,429	401,199	397,682
Retained earnings:			
Beginning of year	406,673	318,733	314,948
Net income	29,895	127,940	67,785
Dividends to common stockholders	(100,000)	(40,000)	(64,000)
End of year	336,568	406,673	318,733
Accumulated other comprehensive loss:			
Beginning of year	(17,992)	(11,848)	(9,050)
Change in unrealized gains/losses on investments, net of tax	5,078	(3,045)	(269)
Change in unrealized foreign currency translation adjustments, net of tax	2,001	(3,099)	(2,529)
End of year	(10,913)	(17,992)	(11,848)
Total stockholders' equity	$ 723,123	$ 789,919	$ 704,606

The accompanying notes are an integral part of these Consolidated Financial Statements.

Note 1. Basis of Presentation and Summary of Operations

Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include Zenith National Insurance Corp. ("Zenith National") and its subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Organization and Operations

Zenith National is a Delaware holding company, which is an indirect wholly-owned 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 ("TSX") 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 ("Agribusiness P&C"). Unless otherwise indicated, all references to the "Company" refer to Zenith National together with its subsidiaries.

Use of Estimates

GAAP requires the use of assumptions and estimates in reporting certain assets, liabilities, revenues and expenses and related disclosures. Actual results could materially differ from those estimates.

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 that the Consolidated Financial Statements were issued on February 28, 2025.

Note 2. Summary of Accounting Policies

Cash and Cash Equivalents

Cash includes amounts held in operating accounts and demand deposits with financial institutions. Cash equivalents are carried at fair value on the Consolidated Balance Sheets and consist of money market funds which are highly liquid investments with original maturities of less than three months. The money market funds are measured using net asset value ("NAV") as a practical expedient, which approximates fair value.

Investments

As of December 31, 2024 and 2023, $1.5 billion and $1.7 billion, respectively, of investments in fixed maturity securities, equity securities, short-term investments, mortgage loans and certain other investments were recorded under the fair value option method of accounting. These investments are carried at fair value with changes in fair value recorded in the change in net unrealized gains/losses on fair value option investments in the Consolidated Statements of Comprehensive Income.

As of December 31, 2024 and 2023, other investments are comprised of investments in partnerships and limited liability companies, corporate loans to affiliates and contingent considerations. Other investments also include investments in equity-method limited partnerships and equity-method common stock.

Investments in partnerships and limited liability companies where the Company's ownership is minor and it does not have significant operating or financial influence ("cost-method partnerships"), affiliate corporate loans and contingent consideration receivables are carried at fair value, with changes in fair value recorded in the change in net unrealized gain (loss) on fair value option investments in the Company's Consolidated Statements of Comprehensive Income.

Investments in limited partnerships and common stock of an entity where the Company's ownership share is more than minor, as well as investments in affiliate limited partnerships and common stock are recorded under the equity-method of accounting, unless the fair value option is elected. An affiliate is defined as a related party entity, generally when Fairfax is deemed to have control or when Fairfax or the Company have the ability to exercise significant influence over an entity. The carrying value of investments in equity-method limited partnerships and equity-method common stock represent initial cost, adjusted for any additional purchases/ distributions, other-than-temporary impairment ("OTTI"), if any (as discussed below), the Company's proportionate share of the investee's income or loss, including realized gains or losses (recorded in net investment income (loss)) and other changes in the investee's equity since the initial acquisition (recorded in other comprehensive income (loss)). Due to the timing of when financial information is reported by an equity investee and received by the Company, results attributable to these investments are generally reported by the Company on a quarter lag.

Investments could be subject to default by the issuer or declines in fair value that become other-than-temporary. The Company continually assesses the prospects for its investments, other than fair value option investments, as part of its ongoing portfolio management, including the identification of other-than-temporary declines in fair value. The Company's other-than-temporary assessment includes reviewing the extent and duration of declines in fair value of such investments below the cost or amortized cost basis or carrying value, the seniority and duration of the securities, historical and projected company financial performance, company-specific news and other developments, the outlook for industry sectors, credit ratings and macro-economic changes, including government policy initiatives. OTTI is recorded in net realized gains (losses) on investments and other in the Company's Consolidated Statements of Comprehensive Income and is reflected as a reduction in the cost basis or carrying value of the security based on the extent and duration that its fair value is below cost or carrying value, in addition to issuer specific events. In the years ended December 31, 2024, 2023 and 2022, the Company recorded OTTIs of $1.5 million, $10.9 million and $1.0 million, respectively, on equity-method common stock investments.

Realized gains and losses are recorded using the "average cost" method. Investment income is recorded when earned, and investment income accrued is recorded separately from related investments on the Consolidated Balance Sheets. The Company assesses accrued investment income for expected credit losses on a quarterly basis in accordance with the Current Expected Credit Losses ("CECL") model. As of December 31, 2024 and 2023, accrued investment income was reported net of credit loss allowances of zero.

Derivative Contracts

Derivative contracts may include consumer price index linked (“CPI-linked”) derivatives, foreign currency forwards, options and warrant contracts, all of which derive their value mainly from changes in underlying inflation indexes, foreign exchange rates, or equity instruments. A derivative contract may be traded on an exchange or over-the-counter (“OTC”). OTC derivative contracts are individually negotiated between contracting parties and may include the Company’s CPI-linked derivatives and forwards.

The Company uses derivatives principally to mitigate financial risks arising from its investment holdings and monitors its derivatives for effectiveness in achieving their risk management objectives. Derivative contracts 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. Initial premiums paid for derivative contracts, if any, are recorded as derivative assets and subsequently adjusted for changes in fair value at each balance sheet date with a corresponding offset to net gains (losses) on derivatives in the Consolidated Statements of Comprehensive Income. 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 in 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, if any, are recorded in assets pledged for derivative obligations in the Consolidated Balance Sheets.

See Note 4 for additional information related to derivative contracts.

Recognition of Insurance Revenue and Expense

Revenue Recognition - Premiums

The consideration paid for an insurance policy is generally known as a “premium.” Premiums billed to the Company’s policyholders are recorded as revenues in the Consolidated Statements of Comprehensive Income. Premiums are billed and collected according to policy terms, predominantly in the form of installments during the policy period. Premiums are earned pro-rata over the terms of the policies. Billed premiums applicable to the unexpired terms of policies in-force are recorded in the accompanying Consolidated Balance Sheets as a liability for unearned premiums.

Certain states in which the Company conducts business require that the Company bills additional amounts, or assessments, to policyholders in accordance with state statutes. In some cases, the Company is required to pay in advance estimated amounts of these assessments to the relevant regulatory agency. Premiums do not include these assessments and their collection does not have any impact on the Company’s results of operations.

Workers’ compensation premiums are determined based upon the payroll of the insured, the applicable premium rates and where applicable, an experience-based modification factor and a debit or credit applied by the Company’s underwriters based upon individual risk characteristics. Audits of policyholders’ records are conducted after policy expiration to make a final determination of applicable premiums. Included in premiums earned is an estimate of the impact of final audit premiums. The Company can estimate this adjustment because it monitors, by policy, how much additional premium will be billed or refunded in final audit invoices as a percentage of the original estimated amount that was billed. The Company uses the historical percentage and current trends to estimate the probable amount to be billed or refunded as of the balance sheet date. When payrolls increase during policy periods, the Company may bill less premium than is actually owed and will establish a receivable for the estimated amount due from its policyholders. When payrolls decline during policy periods (such as during a recession), the Company may bill more premium than is actually owed and will establish a liability for the estimated amount to be refunded to its policyholders. As of December 31, 2024 and 2023, premiums receivable included $3.2 million and $5.2 million, respectively, of estimated premiums due from policyholders.

The Company's premiums receivables from insureds are generally due within one year or less. Any amounts receivable for billed premiums are charged-off upon initiating the legal collection process. The Company assesses premiums receivables for expected credit losses on a quarterly basis in accordance with the CECL model and establishes an allowance for credit losses at the end of the reporting period. As of December 31, 2024 and 2023, premiums receivables were reported net of credit loss allowances of $0.3 million.

The Company has written a relatively small number of workers' compensation policies that are retrospectively rated. Under this type of policy, subsequent to policy expiration, the policyholder may be entitled to a refund or owe additional premium based on the amount of losses sustained under the policy. These retrospective premium adjustments are limited in the amount by which they increase or decrease the standard amount of premium applicable to the policy. The Company can estimate these retrospective premium adjustments because it knows the underlying loss experience of the policies involved. As of December 31, 2024 and 2023, the net premiums payable under retrospectively rated workers' compensation policies reflected in unearned premiums was $4.7 million and $3.9 million, respectively.

Losses and Loss Adjustment Expenses ("LAE") Incurred

Losses and LAE incurred in the accompanying Consolidated Statements of Comprehensive Income include provisions for the amount the Company expects to ultimately pay for all reported and unreported claims for the applicable periods. Loss adjustment expenses are the expenses applicable to the process of administering, settling and investigating claims, including related legal expenses.

Unpaid Losses and LAE

The liabilities for unpaid losses LAE ("loss reserves") in the accompanying Consolidated Balance Sheets are estimates of the unpaid amounts that the Company expects to pay for the ultimate cost of reported and unreported claims as of the balance sheet date. Loss reserves are estimates and are inherently uncertain; they do not and cannot represent an exact measure of ultimate liability. The Company's actuaries perform a comprehensive review of loss reserves at the end of every quarter, from which a point estimate of loss reserves is determined. The loss reserve estimates recorded in the Consolidated Financial Statements reflect management's best estimate of loss reserves based on the actuarial point estimate as well as judgment regarding the inherent uncertainties of ultimate loss costs. As of December 31, 2024 and 2023, there was no material difference between the actuarial point estimate and the loss reserve estimate recorded in the Consolidated Financial Statements.

The Company's principal line of insurance, Workers' Compensation and the Agribusiness P&C line accounted for 78% and 16%, respectively, of net premiums earned in 2024, 80% and 15%, respectively, of net premiums earned in 2023 and 83% and 14% of net premiums earned in 2022. As of December 31, 2024 and 2023, Workers' Compensation and Agribusiness P&C accounted for 82% and 12% and for 84% and 11%, respectively, of the outstanding liabilities for unpaid losses and LAE, net of reinsurance recoverables.

Given the long-tail nature of workers' compensation and casualty component of Agribusiness P&C liabilities, the ultimate losses will not be known for many years and estimating loss reserves is a complex process which involves a combination of actuarial techniques and management judgment including the consideration of all relevant data.

The Company's actuaries produce a point estimate for loss reserves using the results of various actuarial estimation methods. The actuaries prepare reserve estimates for all accident years using the Company's historical claims data and many of the common actuarial methodologies for estimating loss reserves, such as paid loss development methods, incurred loss development methods, the Bornhuetter-Ferguson method and methods that utilize claim counts and average severity. The actuarial point estimate is based on a selection of the results of these various methods depending upon the line of business, the age of the accident year and the claim jurisdiction.

When losses are reported to the Company, it establishes individual estimates of the ultimate cost of the claims, known as "case reserves." These case reserves are continually monitored and revised in response to new information and for amounts paid. The Company's actuaries use this information about reported claims in some of their estimation techniques. In estimating the Company's total loss reserves, the Company makes provision for two types of loss development. At the end of any calendar period, there are a number of claims that have not yet been reported but will arise out of accidents that have already occurred. These are referred to in the insurance industry as incurred but not reported ("IBNR") claims and the Company's loss reserves contain an estimate for IBNR claims. In addition to this provision for late reported claims, the Company also has to estimate and make provision for the extent to which the case reserves on known claims may also develop.

These types of reserves are referred to in the insurance industry as “bulk” reserves. The Company’s loss reserves make provision for both IBNR and bulk reserves in total, but not separately. The large majority of claims are reported promptly and therefore, as of the balance sheet date, the number of IBNR claims is relatively insignificant.

The principal uncertainty in the Company’s workers’ compensation loss reserve estimates is the risk of increasing claim costs, particularly medical. In estimating loss reserves, the Company’s actuaries consider medical costs by evaluating long-term trends. The additional uncertainties considered in estimating ultimate loss costs include the ultimate number of expensive cases and the length of time required to settle long-term expensive cases. Expensive claims are those involving permanent disability of an injured worker and are paid over many years. The ultimate costs of expensive claims are difficult to estimate because of such factors as the on-going and possibly increasing need for medical care, complications from comorbidity, the duration of disability, life expectancy and benefits for dependents, as well as increased costs associated with obtaining settlement approval from Medicare.

The greater part of the challenge in estimating the workers' compensation loss reserves is associated with estimating the year-over-year increase (or decrease) in average claim severity for each accident year. Year-over-year rates of change of workers’ compensation average claim severity (severity trends/inflation) vary considerably. The Company’s initial workers’ compensation loss reserve estimates for recent accident years provide for claim severity trends that contemplate the long-term trend observed in the Company’s business. As loss experience emerges, actuarial estimates of ultimate losses and severity trends converge with those of the traditional dollar-based loss development methods, resulting in net favorable or unfavorable development of the total loss reserve estimate.

The most significant uncertainty in the Company’s Agribusiness P&C loss reserve estimates is the risk of increasing claim costs from the impacts of social inflation. The additional uncertainties in estimating ultimate loss costs include the ultimate number of high-value claims and their related costs. In estimating loss reserves, the Company’s actuaries consider historical loss development patterns for the Company as well as the industry. However, ultimate loss costs are difficult to estimate because of such factors as the extended length of time associated with the litigation process which includes delays in obtaining comprehensive injury and medical information.

Estimates of losses from environmental and asbestos related claims are included in overall loss reserves and to date have not been material in 2024 and 2023.

Different assumptions about the claim severity inflation rates would change the workers' compensation and Agribusiness P&C loss reserve estimates; a material change is reasonably possible although management cannot predict if, when and to what extent such a change will occur. If the average annual inflation rate for each of the accident years 2022 through 2024 were increased or decreased by one percentage point in each year, the loss reserve estimates as of December 31, 2024 would change accordingly by approximately $20.6 million.

The Company believes its loss reserve estimates are adequate. However, the ultimate losses will not be known with any certainty for several years. The Company evaluates its loss reserve estimates every quarter to reflect the most current data and judgments. Any resulting adjustments to loss reserves are reflected in the Company’s Consolidated Statements of Comprehensive Income in the period in which the change is made.

Deferred Policy Acquisition Costs

Agent commissions and premium taxes that are included in policy acquisition costs in the Company’s Consolidated Statements of Comprehensive Income vary with and are primarily related to the production of new or renewal business, and thus are deferred and amortized as the related premiums are earned.

A premium deficiency is recorded if the sum of expected losses and LAE, expected dividends to policyholders, unamortized acquisition costs and policy maintenance costs exceeds the remaining unearned premiums. A premium deficiency would first be recorded by charging any unamortized acquisition costs to expense to the extent required to eliminate the deficiency. If the premium deficiency were greater than unamortized acquisition costs, a liability would be accrued for the excess deficiency. The Company does not consider anticipated investment income when determining if a premium deficiency exists. As of December 31, 2024 and 2023, no premium deficiency existed.

Policyholders Dividends

The Company issues certain policies in which the policyholder may qualify to receive a dividend. An estimated provision for workers' compensation policyholders dividends is accrued as the related premiums are earned. Such dividends do not become a fixed liability unless and until declared by the respective Board of Directors of Zenith National's insurance subsidiaries. The dividend to which a policyholder may be entitled is set forth in the policy. Dividends are calculated after policy expiration. The Company is able to estimate any liability it may have because it knows the underlying loss experience of the policies it has written with dividend provisions and can estimate the future liability from the policy terms. Approximately 41% of the Company's workers' compensation net premiums were earned from participating policies with dividend provisions.

State Guaranty Fund Assessments

Guaranty Funds Assessment ("Guaranty Funds") exist in several states to ensure that policyholders (holders of direct insurance policies but not of reinsurance policies) receive payment of their claims if insurance companies become insolvent. A Guaranty Fund is funded primarily by statutorily required assessments on insurance companies doing business in the state. Various mechanisms exist in some of these states for assessed insurance companies to recover these assessments. Upon the insolvency of an insurance company, the Guaranty Funds become primarily liable for the payment of the insolvent company's liabilities to policyholders. The declaration of an insolvency establishes the presumption that assessments by the Guaranty Funds are probable. The Company writes workers' compensation insurance in many states in which unpaid workers' compensation liabilities are the responsibility of the Guaranty Funds and has received, and expects to continue to receive, Guaranty Fund assessments, some of which may be based on a certain amount of the premiums it has already earned as of December 31, 2024.

As of December 31, 2024 and 2023, the Company recorded an estimate of $1.6 million and $1.7 million, respectively, for the expected net liability for Guaranty Fund assessments. The ultimate impact of such assessments will depend upon the amount and timing of actual assessments and of any recoveries to which the Company may be entitled.

Assumed Reinsurance

Reinsurance assumed premiums written and unearned premium reserves are based on reports received from ceding companies which are established on a basis that is consistent with the terms of the corresponding reinsurance agreements and reflect the coverage periods under the terms of the underlying insurance contracts. See Note 10 for additional information on the Company's assumed reinsurance operations.

Reinsurance Ceded

In the ordinary course of business and in accordance with general insurance industry practices, the Company purchases excess of loss reinsurance to protect it against the impact of large, irregularly occurring losses in the Workers' Compensation and Agribusiness P&C business. The Company has also entered into quota share reinsurance agreements to cede a portion of certain coverages within the Agribusiness P&C business. Such reinsurance reduces the magnitude of such losses on net income and the capital of the Company. Reinsurance makes the assuming reinsurer liable to the ceding company to the extent of the reinsurance coverage. It does not, however, discharge the ceding company from its primary liability to its policyholders in the event the reinsurer is unable to meet its obligations under such reinsurance agreement.

Premiums earned and losses and LAE incurred are stated in the accompanying Consolidated Statements of Comprehensive Income after deduction of amounts ceded to reinsurers. The cost of reinsurance purchased by the Company (reinsurance premiums ceded) for quota share contracts is incurred based on a percentage of both the underlying premiums written and unearned premiums for the coverage provided. For excess of loss protection, the cost is based on a percentage of the earned premium of the underlying policies for the coverage provided.

Reinsurance recoverables are recorded as assets on the Consolidated Balance Sheets and include balances due from reinsurers for paid and unpaid losses. Balances due from reinsurers on unpaid losses, including an estimate of such recoverables related to reserves for IBNR losses are included in reinsurance recoverables even though amounts due on unpaid losses and LAE are not recoverable from the reinsurer until such losses are paid.

The Company assesses reinsurance recoverables for expected credit losses on a quarterly basis in accordance with the CECL model and establishes an allowance for credit losses, if any, at the end of the reporting period. In estimating an allowance for credit losses the Company evaluates the financial condition of its reinsurers and considers several factors including, but not limited to historical information, financial strength of reinsurers, collateralization amounts and ratings to determine the appropriateness of the allowance. Historically, the Company has not experienced a significant indication of credit losses from reinsurance transactions; write-offs have been infrequent and insignificant; and most of its reinsurance balances are recoverable from large, well-capitalized reinsurers. As of December 31, 2024 and 2023, reinsurance recoverables were reported net of credit loss allowances of zero.

Properties and Equipment

Properties and equipment used in operations, including certain costs incurred to develop and obtain computer software, are capitalized and carried at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis using the following useful lives: buildings — up to 40 years; and other property and equipment — 3 to 10 years. Expenditures for maintenance and repairs are charged to operations as incurred. Additions and improvements to buildings and other fixed assets are capitalized and depreciated over the useful lives of the properties and equipment. Upon disposition, the asset cost and related depreciation are removed from the accounts and the resulting gain or loss is included in the Company’s Consolidated Statements of Comprehensive Income.

Intangible Assets

As of December 31, 2024 and 2023, goodwill from acquisitions was $21.0 million, of which $19.0 million is included in the assets of Zenith Insurance with the remaining $2.0 million included in Zenith National’s assets. As of December 31, 2024 and 2023, the Company had no intangible assets other than goodwill. The Company assesses goodwill for impairment using the qualitative approach by evaluating the facts and circumstances at the end of the reporting period to determine whether a triggering event indicating potential impairment exists and if so, whether it is more likely than not that goodwill is impaired. Only when the Company concludes, through the qualitative assessment, that goodwill is impaired, it performs a quantitative assessment to compare the carrying amount of goodwill to its fair value, estimated based on the present value of future cash flows of the corresponding reporting unit. A reporting unit is an operating segment or a unit one level below the operating segment. There were no indicators of goodwill impairment as of December 31, 2024 and 2023.

Restricted Stock

Under a restricted stock plan adopted by Fairfax in September 2010 (“Restricted Stock Plan”), certain Company officers are awarded shares of Fairfax Subordinate Voting Shares, no par value, with restricted ownership rights (“Restricted Stock”). As of December 31, 2024 and 2023, 500,000 of Fairfax Subordinate Voting Shares were authorized for purchase. The Restricted Stock vests on the fifth anniversary of the award date and contains no performance conditions. The Restricted Stock vests in full upon the death or disability of the recipient of Restricted Stock. Restricted Stock is generally forfeited by employees who terminate employment prior to vesting. During the vesting period, the Restricted Stock Plan participants are entitled to voting rights and ordinary cash dividends paid by Fairfax from the date of the award. Restricted Stock awards are recorded as a reduction of additional paid in capital in the Company's stockholders' equity based on the amount paid by the Company for the open market purchase of Fairfax Subordinate Voting Shares. Stock-based compensation expense is recorded over the vesting period based on the grant date fair value with an offsetting entry to additional paid in capital; and at vesting, the difference between cost and grant date fair value is reclassified from additional paid in capital to retained earnings.

Adopted Accounting Standards

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 a contractual restriction on the sale of an equity security that has 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 Public Business Entities, the guidance was effective for periods beginning after December 15, 2023, and interim periods within those fiscal years. The

Company adopted the guidance in 2024. Its adoption did not have a material impact on the Company’s consolidated financial position, results of operations, or cash flows.

Measurement of Credit Losses on Financial Instruments

Effective January 1, 2023, the Company adopted CECL, which provides for the recognition and measurement of all expected credit losses 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

Reporting Comprehensive Income - Expense Disaggregation Disclosures

In November 2024, the FASB issued new guidance requiring the disaggregation of certain expenses in the notes of the financials, to provide enhanced transparency into the expense captions presented on the face of the income statement. For public business entities, the guidance is effective for annual periods beginning December 15, 2026. 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 public business entities, the guidance is effective for annual periods beginning after December 15, 2024. 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.

Note 3. Investments

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 as of December 31, 2024 and 2023 were as follows:

(In thousands)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value (b)
December 31, 2024				
Fair value option investments:				
Fixed maturity securities:				
U.S. Government debt	$ 884,555	$ 2,916	$ (5,016)	$ 882,455
Foreign government debt	16,123		(3,797)	12,326
Corporate debt	48,001	3,994	(80)	51,915
Total fixed maturity securities	948,679	6,910	(8,893)	946,696
Equity securities	269,698	29,943	(44,201)	255,440
Short-term investments	3,633			3,633
Mortgage loans	206,386		(8,891)	197,495
Cost-method partnerships (a)	40,563	10,004	(3,403)	47,164
Affiliate corporate loans (a)	6,851		(832)	6,019
Contingent consideration receivables (a)	22,208		(6,339)	15,869
Total fair value option investments	**$ 1,498,018**	**$ 46,857**	**$ (72,559)**	**$ 1,472,316**
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 (a)	38,283	10,900	(2,313)	46,870
Affiliate corporate loans (a)	7,091	119		7,210
Contingent consideration receivables (a)	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 5.

Fixed maturity securities, including short-term investment, by contractual maturity as of December 31, 2024 were as follows:

(In thousands)	Fair Value
Due in one year or less	$ 17,291
Due after one year through five years	563,409
Due after five years through ten years	346,459
Due after ten years	23,170
Total	$ 950,329

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 December 31, 2024 and 2023, total investments in the Consolidated Balance Sheets also included other investments detailed below and derivative contracts described in Note 4.

Other investments consisted of the following:

	December 31,	
(In thousands)	2024	2023
Equity-method common stock (a)	$ 207,499	$ 135,813
Equity-method partnerships (a)	5,022	
Cost-method partnerships, at fair value (cost $40,563 in 2024 and $38,283 in 2023) (b)	47,164	46,870
Affiliate corporate loans, at fair value (amortized cost $6,851 in 2024 and $7,091 in 2023)	6,019	7,210
Contingent consideration receivables, at fair value (cost $22,208 in 2024 and $23,525 in 2023)	15,869	23,554
Total other investments	$ 281,573	$ 213,447

(a) Investments in equity-method limited partnerships and equity-method common stock are recorded at cost, adjusted for subsequent purchases, distributions, OTTI (if any), and the Company's share of the changes in the investee's equity since 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 December 31, 2024, the Company had commitments to invest an additional $11.0 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 December 31, 2024 and 2023:

	Carrying Value		Carrying Value less Underlying Net Asset Value		Quoted Market Value		Relative Economic Ownership
	December 31,		December 31,		December 31,		December 31,
(In thousands)	2024	2023	2024	2023	2024	2023	2024
Sleep Country Canada Holdings Inc.	$ 70,352						12.5 %
FF Meadow Holdings Limited	50,973	$ 50,428					20.3 %
Fairfax India Holdings Corp.	29,956	28,928	$ (617) (a)	$ (579) (a)	$ 22,350	$ 21,474	1.0 %
Grivalia Hospitality S.A.	12,325	12,349	2,486 (a)	5,988 (a)			1.8 %
Exco Resources Inc.	11,217	10,175	(1,230) (a)	(578) (a)			1.3 %
Peak Achievement Athletics	8,360	8,614		(1,204) (c)			2.8 %
Astarta Holdings NV	7,648	6,421	(7,533) (b)	(7,299) (b)	7,925	5,900	3.3 %
Helios Fairfax Partners Corp.	6,368	10,466	(13,143) (b)	(13,130) (b)	8,998	11,074	4.3 %
Boat Rocker Media Inc.	6,076	4,774	(9,184) (b)	(8,035) (b)	2,031	4,774	8.9 %
Alberta ULC	4,224	3,658					5.0 %
Total equity-method common stock	$ 207,499	$ 135,813					

(a) Represents positive (negative) goodwill.

(b) Represents primarily OTTI write-down previously recorded.

(c) Represents the impact of investee's recent known material transactions not yet reflected in the underlying NAV based on the most recent investee financial statements received.

Net investment income was as follows:

	Year Ended December 31,		
(In thousands)	2024	2023	2022
Fixed maturity securities	$ 41,762	$ 36,160	$ 17,458
Mortgage loans	20,314	20,814	9,401
Equity securities	6,024	12,639	9,791
Short-term and other investments	3,218	3,903	1,548
Net income (loss) from equity-method investment (a)	(2,607)	11,739	590
Subtotal	68,711	85,255	38,788
Investment expenses	9,824	9,544	7,608
Net investment income	$ 58,887	$ 75,711	$ 31,180

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

	Year Ended December 31,		
(In thousands)	2024	2023	2022
Peak Achievement Athletics	$ 3,800	$ 1,548	$ 510
Astarta Holdings NV	2,561	2,692	4,829
Fairfax India Holdings Corp.	1,313	3,408	(170)
Exco Resources Inc.	1,028	3,293	2,123
Alberta ULC	562	240	(1,011)
Boat Rocker Media Inc.	488	(1,453)	(1,098)
Farmers Edge Inc. (1)		(255)	(2,265)
Grivalia Hospitality S.A.	(1,030)	(1,109)	
FF Meadow Holdings Inc.	(2,552)		
Helios Fairfax Partners Corp.	(4,184)	1,141	(2,967)
AGT Food and Ingredients Inc. (2)	(4,593)	2,234	639
Income (loss) from equity-method investments	$ (2,607)	$ 11,739	$ 590

(1) As of December 31, 2024 and 2023, the carrying value of the Company's investment in equity-accounted common stock of Farmers Edge Inc. ("FE"), an affiliate of Fairfax and the Company, was zero as a result of its share of FE's net decrease in equity through September 30, 2024 and 2023, respectively, since acquisition (i.e., cumulative losses on FE) exceeding the cost of the Company's investment. As of December 31, 2024, the Company's share of FE's cumulative losses not yet recognized in its results was approximately $4.1 million.

(2) As of December 31, 2024 and 2023, the carrying value of the Company's investment in equity-accounted common stock of AGT Food and Ingredients Inc. ("AGT"), an affiliate of Fairfax and the Company, was zero as a result of its share of AGT's net decrease in equity through December 31, 2023 and 2022, respectively, since acquisition (i.e., cumulative losses on AGT) exceeding the Company's initial investment. The Company's share of AGT's net loss of $4.6 million and net income of $2.2 million was recorded in investment income in 2024 and 2023, respectively, as reflected in the table above. The Company's share of AGT's other comprehensive income of $4.4 million and other comprehensive loss of $4.5 million was recorded in equity in 2024 and 2023, respectively. The Company's share of AGT's cumulative losses in excess of its initial investment in AGT common stock reduced its investment in AGT affiliated loans by $2.5 million and $2.3 million as of December 31, 2024 and 2023, respectively.

Net realized gains on investments (excluding derivatives) and other were as follows:

	Year Ended December 31,		
(In thousands)	2024	2023	2022
Sales of equity securities (a)	$ 58,813	$ 108,382	$ (1,578)
Sales of fixed maturity securities, including short-term investments and other (b)	(4,696)	(13,018)	(7,750)
Gains (losses) from other investments (c)	2,982	(7,036)	2,209
Gain on sale of company building (d)			14,538
Net realized gains on investments and other	$ 57,099	$ 88,328	$ 7,419

(a) Net realized gains on sales of equity securities in the year ended December 31, 2024 primarily consisted of $58.6 million of a realized gain on sale of Stelco Holdings Inc. ("Stelco"), an affiliate of Fairfax and the Company in the fourth quarter of 2024, $39.2 million of which was previously recorded in change in net unrealized gains/losses on fair value option investments. See Note 12.

Net realized gains on sales of equity securities in the year ended December 31, 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, partially offset by realized losses of $4.4 million on sales of fair value option common stocks and "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 investment acquired.

Net realized losses on sales of equity securities in the year ended December 31, 2022 included realized losses of $3.0 million on the sale of three fair value option common stocks, partially offset by a realized gain of $1.4 million related to the redemption of a preferred stock investment in exchange for common stock.

(b) Net realized losses on sales of fixed maturity securities, including short-term investments and other in the year ended December 31, 2024 was primarily due to losses on sales of U.S. government securities and included a write-off of accrued paid-in-kind interest related to a mortgage loan.

Net realized losses on sales of fixed maturity securities, including short-term investments and other in the year ended December 31, 2023 was primarily due to losses on sales of U.S. government securities.

Net realized losses on fixed maturity securities, including short-term investments and other in the year ended December 31, 2022, included $7.6 million of indemnity-related losses recorded in connection with the acquisition of Apple Bidco Limited (“AB”) by Atlas Corp. ("Atlas" and hereinafter "Poseidon"). See Note 12.

(c) Net realized gains (losses) from other investments in the year ended December 31, 2024, 2023, and 2022, included realized gains of $3.8 million, $3.5 million, and $3.2 million, respectively, from cost-method partnership distributions, partially offset by impairments of $1.5 million, $10.9 million and $1.0 million, respectively, related to the Company's equity-method investments.

(d) The Company owned a building in Sarasota, Florida that operated as its Florida Branch. The building had a net book value of $8.9 million and was recorded in properties and equipment included in other assets on the Consolidated Balance Sheets. In December 2022, the Company sold the building and recorded a gain on sale of $14.5 million.

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

	Year Ended December 31,		
(In thousands)	2024	2023	2022
Change in net unrealized gains/losses recorded on fair value option investments	$ (87,920)	$ (45,510)	$ 11,684
Less: Net gains recognized on fair value option investments sold (a)	(37,820)	(84,736)	(4,412)
Change in net unrealized gains/losses recorded on fair value option investments still held at the reporting date	$ (50,100)	$ 39,226	$ 16,096

(a) Net gain recognized on fair value option investments sold in 2024 and 2023, primarily consisted of $39.2 million and $110.5 million cumulative unrealized gains previously recognized through December 31, 2023 and 2022, respectively, on common stock investments sold in 2024 and 2023, respectively.

As of December 31, 2024 and 2023, investments with a fair value of approximately $700 million and $770 million, respectively, were on deposit with regulatory authorities in compliance with insurance company regulations. As of December 31, 2024 and 2023, the Company had additional qualifying securities with a fair value of approximately $207 million and $236 million, respectively, available for deposit.

Note 4. Derivative Contracts

See Note 2 for a description of the Company's accounting policies related to derivative contracts.

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

(In thousands)	Notional Amount	Cost	Fair Value of Derivative Assets	Fair Value of Derivative Liabilities
December 31, 2024				
Foreign exchange forwards	$ 170,796		$ 4,970	
Equity warrants (a)	10,000	$ 1,823	505	
Total		$ 1,823	$ 5,475	
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 (a)	10,000	1,823	430	
Total		$ 17,835	$ 2,551	2,276

(a) At December 31, 2024 and 2023, equity warrants included 0.5 million shares of common stock warrants, respectively, received in connection with the Company's investment in the preferred stock of the same issuer in June 2023.

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

	Year Ended December 31,		
(In thousands)	2024	2023	2022
Net gains (losses) on settlements			
Equity derivatives:			
Equity warrants		$ 1,366	$ 240
Equity index put options	$ (4,821)	(857)	
Foreign exchange forwards	6,409	488	5,229
CPI-linked derivatives (a)	(11,191)	(799)	(1,100)
Total	(9,603)	198	4,369
Change in fair value			
Equity derivatives:			
Equity warrants	75	(2,305)	(2,143)
Equity index put options	2,700	(2,700)	
Foreign exchange forwards	7,246	(2,431)	535
CPI-linked derivatives (a)	11,191	799	1,076
Total	21,212	(6,637)	(532)
Net gains (losses) on derivatives			
Equity derivatives:			
Equity warrants	75	(939)	(1,903)
Equity index put options	(2,121)	(3,557)	
Foreign exchange forwards	13,655	(1,943)	5,764
CPI-linked derivatives (a)			(24)
Total net gains (losses) on derivatives	$ 11,609	$ (6,439)	$ 3,837

(a) In the years ended December 31, 2024, 2023 and 2022, CPI-linked derivative contracts with the notional amounts of $2.5 billion, $0.2 billion and $0.3 billion, respectively, matured and losses previously recognized in the change in fair value component of net gains (losses) on derivatives of $11.2 million, $0.8 million and $1.1 million, respectively, were reclassified to net gains (losses) on settlements.

Equity derivative contracts

The Company holds equity warrants on certain investments that grant the Company the right to purchase an underlying financial instrument at a given price and time.

The Company held equity index put options that granted the Company the right (but not the obligation) to sell a financial instrument at a specified price within a specified time period. In 2024, the options expired without exercise.

CPI-linked derivative contracts

The Company’s derivative contracts referenced to the consumer price index in the United States and Europe (“CPI-linked derivatives”) and served as an economic hedge against the potential adverse financial impact of decreasing price levels on the Company. In the event of sale, expiration or early settlement on these contracts, the Company would receive a cash settlement equal to the fair value of the contract on the date of the transaction. The Company’s maximum potential loss on any contract was limited to the original cost of the contract. As of December 31, 2023, the Company had no pledged amounts recorded as contractually required collateral to a counterparty on any CPI-linked derivatives. All of the Company's remaining CPI-linked derivatives matured in the fourth quarter of 2024 and as of December 31, 2024, the Company no longer held any CPI-linked derivative contracts.

Foreign exchange forward contracts

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

Counterparty collateral and exposure

The Company limits counterparty risk through the terms of master netting agreements negotiated with counterparties to its derivative contracts. These agreements provide for a single net settlement of all financial instruments covered by the agreement in the event of default by the counterparty, thereby permitting obligations owed by the Company to a counterparty to be offset to the extent of the aggregate amount receivable by the Company from that counterparty (“net settlement arrangements”). Pursuant to these agreements, the counterparties to the derivative contracts are also contractually required to deposit eligible collateral in collateral accounts (subject to certain minimum thresholds) for the benefit of the Company depending on the then current fair value of the derivative contracts. The Company had not exercised its right to sell or repledge collateral as of December 31, 2024.

As of December 31, 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. As of December 31, 2024 and 2023, the Company had no amounts pledged as contractually required collateral to its counterparties for derivative contracts.

Note 5. Fair Value Measurements

Fair values for substantially all of the Company's financial instruments are measured using market and discounted cash flows 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 significant 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 common stock and 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 December 31, 2024 and 2023, classified by the valuation hierarchy discussed previously:

		Fair Value Measurement Using		
(In thousands)	Total (a)	Level 1	Level 2	Level 3
December 31, 2024				
Fair value option securities:				
Fixed maturity securities:				
U.S. Government debt	$ 882,455		$ 882,455	
Foreign Government debt	12,326		12,326	
Corporate debt	51,915		43,238	$ 8,677
Total fixed maturity securities	946,696		938,019	8,677
Equity securities (b)	255,440	$ 94,263	9,988	119,944
Short-term investments	3,633	3,633		
Mortgage loans (c)	197,495			197,495
Other investments – cost-method partnerships (b) (d)	47,164			
Other investments – affiliate corporate loans (d)	6,019			6,019
Other investments – contingent consideration receivables (d)	15,869			15,869
Total fair value option investments	$ 1,472,316	$ 97,896	$ 948,007	$ 348,004
Derivatives:				
Equity warrants	$ 505			$ 505
Foreign exchange forwards	4,970		$ 4,970	
Total derivative assets	5,475		$ 4,970	505

		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
Other investments – cost-method partnerships (b) (d)	46,870			
Other investments – affiliate corporate loans (d)	7,210			7,210
Other investments – contingent consideration receivables (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 December 31, 2024 and 2023, certain common stock investments with a fair value of $31.2 million and $28.3 million, respectively, and cost-method partnerships with a fair value of $47.2 million and $46.9 million, respectively, are measured using NAV as a practical expedient and not required to be classified in the fair value hierarchy.

(c) As of December 31, 2024 and 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 securities, equity securities, mortgage loans, affiliate corporate loans, contingent consideration receivables and derivatives measured at fair value on a recurring basis:

(In thousands)	Corporate Debt	Equity Securities (a)	Mortgage Loans	Affiliate Corporate Loans	Contingent Consideration Receivables	Derivatives
Balance as of December 31, 2022	$ 2,124	$ 38,921	$ 162,019	$ 8,913	$ 15,723	$ 1,879
Purchases	5,339	6,987	124,605		11,759 (b)	990
Sales	(3,798)		(70,348)	(2,231)	(2,614)	(1,500)
Realized and unrealized gains/losses included in:						
Net investments income – accretion of discounts			1,516			
Net realized gains (losses) on investments	999		730		(139)	
Change in net unrealized gains/losses on fair value option investments	5,471	12,480	(7,764)	528	(1,175)	
Net losses on derivatives						(939)
Transfer into Level 3 (c)		55,859				
Transfer out of Level 3 (d)		(1,460)				
Balance as of December 31, 2023	$ 10,135	$ 112,787	$ 210,758	$ 7,210	$ 23,554	$ 430
Purchases			15,861			
Sales			(27,532)		(1,219)	
Realized and unrealized gains/losses included in:				(240)		
Net investments income – accretion of discounts			1,223			
Net realized losses on investments			(1,689)		(98)	
Change in net unrealized gains/losses on fair value option investments	(1,458)	(3,027)	(1,126)	(951)	(6,368)	
Net gains on derivatives						75
Transfers into Level 3 (c)		10,184				
Balance as of December 31, 2024	$ 8,677	$ 119,944	$ 197,495	$ 6,019	$ 15,869	$ 505

(a) Change in unrealized gain/losses from equity securities includes changes in fair value and foreign currency fluctuations.

(b) Purchases in 2023 include a contingent consideration receivable of $11.8 million resulting from a sale of a common stock investment.

(c) Transfers into Level 3 in both 2024 and 2023 were due to a change in observable market data as a result of the privatization of two common stock investments.

(d) Transfers out of Level 3 in 2023 was due to a change in fair value measurement of a common stock investment.

The following table provides information on the valuation techniques, significant unobservable inputs and range for each major category of Level 3 assets measured at fair value on a recurring basis as of December 31, 2024:

(In thousands)		Balance at December 31, 2024	Valuation Techniques	Significant Unobservable Inputs	Range
Corporate debt	$	8,677	Market approach	Credit spread of issuer	0.84%
			Estimated NAV multiple	Estimated NAV multiple	N/A
			Discounted cash flow	Discount rate	8.80% - 11.19%
				Perpetual growth rate	2.00% - 3.00%
			Market approach	Recent transaction price	N/A
Equity securities	$	119,944		Credit spread of issuer	3.65% - 4.29%
Mortgage loans	$	197,495	Discounted cash flow	Credit spread of issuer	2.75% - 10.35%
Affiliate corporate loans	$	6,019	Market approach	Credit spread of issuer	6.24%
			Market approach	Recent transaction price	N/A
Contingent consideration receivables	$	15,869	Discounted cash flow	Discount rate	27.20%
Derivatives	$	505	Market approach	Volatility	31.88% - 37.18%

Note 6. Properties and Equipment

Properties and equipment, included in other assets, consist of the following:

	December 31,	
(In thousands)	2024	2023
Land	$ 13,508	$ 13,508
Buildings	29,660	29,660
Other property and equipment	92,130	89,474
Subtotal	135,298	132,642
Accumulated depreciation	(111,205)	(109,545)
Total	$ 24,093	$ 23,097

In the years ended December 31, 2024, 2023 and 2022, depreciation expense was $1.7 million, $1.6 million and $2.3 million, respectively.

Note 7. Income Tax

The Company is included in the consolidated federal income tax return of Fairfax (US) Inc. and its eligible subsidiaries and in various state combined or consolidated income tax returns. Zenith National and Fairfax (US) Inc. are parties to a tax allocation agreement whereby, in general, federal income taxes are allocated by Fairfax (US) Inc. to Zenith National equal to the taxes that would have been payable/refunded between the Company and the Internal Revenue Service ("IRS") if it had filed a stand-alone consolidated federal income tax return. The insurance subsidiaries pay premium taxes on direct premiums written in lieu of most state income or franchise taxes.

The differences between the statutory income tax rate and the Company's effective tax rate on income, as reflected in the Consolidated Statements of Comprehensive Income, were as follows:

	Year Ended December 31,		
(In thousands)	2024	2023	2022
Statutory income tax expense at 21%	$ 8,134	$ 31,793	$ 18,076
Increase (reduction) in taxes:			
Tax-exempt interest and other investments	(1,188)	(2,088)	(2,068)
Foreign and state tax expenses	1,421	2,296	1,174
Non-deductible expenses and other	471	655	1,111
Income tax expense before valuation allowance	8,838	32,656	18,293
Decrease in valuation allowance		(9,200)	
Income tax expense	$ 8,838	$ 23,456	$ 18,293

Deferred tax is provided based upon temporary differences between the tax and book basis of assets and liabilities. The components of the deferred tax assets and liabilities were as follows:

	December 31,			
	2024		2023	
	Deferred Tax		Deferred Tax	
(In thousands)	Assets	Liabilities	Assets	Liabilities
Unpaid losses and LAE discount	$ 21,191		$ 19,598	
Limitation on deduction for unearned premiums	7,779		7,531	
Investments	39,365		28,311	
Policyholders dividends accrued	5,636		6,688	
Compensation and benefits	6,297		5,878	
Properties and equipment	2,998		2,053	
Leases	7,576	$ 7,197	5,319	$ 4,998
Deferred policy acquisition costs		5,270		4,980
Other	491		487	
Total	$ 91,333	$ 12,467	$ 75,865	$ 9,978
Net deferred tax asset	$ 78,866		$ 65,887	

The Company paid federal, state and foreign income taxes of $14.1 million and $44.9 million for the years ended December 31, 2024 and 2023, respectively. At both December 31, 2024, and 2023, the Company had a net current tax payable of $10.3 million and $0.7 million, respectively, which were all payable to Fairfax (US) Inc. The Company files income tax returns with various federal, state, and foreign jurisdictions.

GAAP requires the Company to evaluate the recoverability of its deferred tax assets ("DTAs") and establish a valuation allowance, if necessary, to reduce the DTA to an amount that is more likely than not to be realized (a likelihood of more than 50%). The establishment of a valuation allowance does not adversely affect the Company's ability to use the related tax deductions to reduce taxable income in the future.
In making this evaluation, the Company is required to consider all available evidence, both positive and negative, including objectively verifiable evidence of taxable income in the immediate ensuing years.
In assessing the recoverability of the Company's DTAs, management evaluates whether it is more likely than

not that some portion or all of the DTAs will not be realized by generating sufficient future taxable income of the appropriate character. Management considers the reversal of deferred tax liabilities, carryback potential of an appropriate nature, forecasted taxable income, tax-planning strategies, and the Company's cumulative income position for the most recent 3-year period in making this assessment.

As of December 31, 2024 and 2023, the Company determined that continued profitability, improvements in investment valuations, and carryback capacity supported a conclusion that the DTAs are more likely than not to be realized as stated; accordingly, as of December 31, 2024 and 2023, there were no unrecognized tax benefits.

The Company recognizes any interest and penalties related to uncertain tax positions in income tax expense; however, there were none in the years ended December 31, 2024, 2023 and 2022.

There are no taxable years currently under IRS audit. Taxable years after 2020 are subject to examination by the IRS. In general, taxable years later than 2019 are subject to examination by state taxing authorities. On August 16, 2022, the Inflation Reduction Act was enacted which created a new corporate alternative minimum tax ("CAMT") effective for calendar year taxpayers as of January 1, 2023. Based upon adjusted financial statement income for 2024, the Company (or the controlled group of corporations of which the Company is a member) has determined that there is no CAMT liability for 2024 taxable year. The impact of the alternative minimum tax, if any, will vary from year to year based on the relationship of the Company's financial statement income to the Company's taxable income.

Note 8. Unpaid Losses and LAE

The following tables present estimated ultimate incurred loss and allocated loss adjustment expenses (net of reinsurance), cumulative paid loss and allocated loss adjustment expenses (net of reinsurance), and average annual percentage payout of incurred losses and LAE (net of reinsurance) for the Company's two main insurance operations, Workers' Compensation and Agribusiness P&C, for the year ended December 31, 2024.

Workers' Compensation

($ In thousands)	Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance										As of December 31, 2024	
	Years Ended December 31,											
Accident Year	2015[1]	2016[1]	2017[1]	2018[1]	2019[1]	2020[1]	2021[1]	2022[1]	2023[1]	2024	Net IBNR Reserves	Cumulative Number of Reported Claims [2]
2015	$ 354,155	$ 329,034	$ 315,023	$ 299,935	$ 290,627	$ 284,453	$ 282,822	$ 280,172	$ 278,002	$ 275,139	$ 8,908	30,899
2016		360,638	340,182	323,750	311,498	305,082	303,110	301,442	300,610	298,951	8,378	31,572
2017			354,148	328,410	312,606	306,378	304,405	298,961	298,433	296,638	9,524	31,456
2018				337,529	312,395	302,111	294,941	288,790	284,482	282,548	8,914	31,598
2019					310,160	293,573	284,806	283,237	281,320	280,197	8,558	30,509
2020						285,156	257,577	252,165	253,795	257,143	8,146	23,657
2021							290,066	275,424	270,826	270,033	12,108	26,691
2022								283,302	266,697	264,608	14,837	25,654
2023									269,152	259,648	21,766	25,376
2024										281,433	46,798	24,404
									Total	$ 2,766,338		

(In thousands)	Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance									
	Years Ended December 31,									
Accident Year	2015[1]	2016[1]	2017[1]	2018[1]	2019[1]	2020[1]	2021[1]	2022[1]	2023[1]	2024
2015	$ 74,561	$ 166,502	$ 214,635	$ 236,628	$ 247,394	$ 252,161	$ 255,918	$ 258,405	$ 260,348	$ 261,570
2016		81,103	177,908	225,456	247,851	259,036	266,018	270,406	274,047	276,386
2017			85,204	183,532	230,039	248,840	260,113	269,894	274,625	277,881
2018				85,461	178,957	219,585	241,758	251,972	258,416	261,997
2019					81,641	166,594	210,793	233,751	245,531	254,288
2020						63,482	147,295	184,882	206,305	218,969
2021							68,804	156,627	199,172	222,772
2022								67,914	153,287	194,671
2023									67,531	151,602
2024										74,737
									Total	$ 2,194,873
	All outstanding liabilities for unpaid losses and allocated loss adjustment expenses beginning 2015, net of reinsurance									571,465
	All outstanding liabilities for unpaid losses and allocated loss adjustment expenses prior to 2015, net of reinsurance									149,057
	Total outstanding liabilities for unpaid losses and allocated loss adjustment expenses, net of reinsurance									$ 720,522

(1) Data presented for these calendar years is required supplementary information, which is unaudited.
(2) The amounts reported for the cumulative number of reported claims do not include claim counts for business assumed through pools and associations. Claims reported are counted even if they eventually close with no loss or loss adjustment payment or if they are within a policy deductible where the insured is responsible for payment of losses in the deductible layer.

	Average Annual Percentage Payout of Incurred Losses and Loss Adjustment Expenses by Age, Net of Reinsurance (unaudited)									
Years	1	2	3	4	5	6	7	8	9	10
	32.4%	30.5%	13.4%	7.8%	4.3%	3.0%	1.6%	1.0%	0.5%	0.8%

Agribusiness P&C

Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance — Years Ended December 31, ($ In thousands); As of December 31, 2024

Accident Year	2015[1]	2016[1]	2017[1]	2018[1]	2019[1]	2020[1]	2021[1]	2022[1]	2023[1]	2024	Net IBNR Reserves	Cumulative Number of Reported Claims [2]
2015	$ 26,067	$ 24,412	$ 23,073	$ 22,776	$ 23,299	$ 23,699	$ 23,700	$ 23,551	$ 23,533	$ 23,492	$ 122	1,988
2016		28,019	25,422	25,008	26,470	26,081	26,156	25,954	26,044	26,194	277	2,364
2017			48,047	49,455	50,200	45,408	45,907	48,149	48,447	48,825	452	2,967
2018				42,742	39,843	39,003	36,562	35,438	35,053	35,541	497	2,847
2019					41,218	39,842	42,488	44,738	45,537	48,387	1,691	2,955
2020						42,327	39,451	43,809	46,398	52,540	2,261	2,373
2021							56,304	53,781	59,979	67,382	5,250	2,944
2022								61,601	57,137	54,362	7,922	2,824
2023									71,267	66,765	16,309	2,806
2024										69,902	30,983	2,320
									Total	$ 493,390		

Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance — Years Ended December 31, (In thousands)

Accident Year	2015[1]	2016[1]	2017[1]	2018[1]	2019[1]	2020[1]	2021[1]	2022[1]	2023[1]	2024
2015	$ 10,170	$ 14,734	$ 16,966	$ 20,030	$ 21,975	$ 22,037	$ 23,226	$ 23,310	$ 23,371	$ 23,371
2016		13,540	15,951	17,354	20,919	23,830	24,501	24,710	25,589	25,886
2017			19,514	33,617	37,275	38,620	40,499	44,490	46,106	48,342
2018				16,651	22,150	26,671	31,697	32,768	33,012	34,922
2019					18,586	24,354	28,549	34,935	39,337	44,863
2020						17,375	23,319	29,938	36,056	41,164
2021							22,949	31,162	37,026	55,316
2022								27,499	35,990	41,197
2023									31,866	40,892
2024										27,575
									Total	383,528
All outstanding liabilities for unpaid losses and allocated loss adjustment expenses beginning 2015, net of reinsurance										$ 109,862
All outstanding liabilities for unpaid losses and allocated loss adjustment expenses prior to 2015, net of reinsurance										268
Total outstanding liabilities for unpaid losses and allocated loss adjustment expenses, net of reinsurance										$ 110,130

(1) Data presented for these calendar years is required supplementary information, which is unaudited.
(2) The amounts reported for the cumulative number of reported claims do not include claim counts for business assumed through pools and associations. Claims reported are counted even if they eventually close with no loss or loss adjustment payment or if they are within a policy deductible where the insured is responsible for payment of losses in the deductible layer.

Average Annual Percentage Payout of Incurred Losses and Loss Adjustment Expenses by Age, Net of Reinsurance (unaudited)

Years	1	2	3	4	5	6	7	8	9	10
	37.5%	23.9%	10.7%	9.3%	6.6%	3.8%	2.4%	1.2%	1.2%	0.7%

The reconciliation of the net incurred and paid loss development tables to the liabilities for unpaid losses and LAE is as follows:

(In thousands)	December 31, 2024
Workers' compensation	$ 720,522
Agribusiness P&C	110,130
Other insurance operations	58,915
Liabilities for unpaid losses and allocated loss adjustment expenses, net of reinsurance	889,567
Liabilities for unpaid unallocated loss adjustment expenses	95,844
Liabilities for unpaid losses and LAE, net of reinsurance	985,411
Receivable from reinsurers for unpaid losses	42,723
Total gross liabilities for unpaid losses and LAE	$ 1,028,134

The following table represents a reconciliation of the change in the liabilities for unpaid losses and LAE:

	Year Ended December 31,		
(In thousands)	2024	2023	2022
Beginning of year, net of reinsurance	$ 999,781	$ 1,010,651	$ 1,003,800
Incurred claims:			
Current accident year	465,842	448,083	441,262
Prior accident years	(42,085)	(50,666)	(43,203)
Total incurred claims	423,757	397,417	398,059
Payments:			
Current accident year	(154,672)	(147,390)	(133,316)
Prior accident years	(283,455)	(260,897)	(257,892)
Total payments	(438,127)	(408,287)	(391,208)
End of year, net of reinsurance	985,411	999,781	1,010,651
Receivable from reinsurers for unpaid losses	42,723	41,971	44,722
End of year, gross of reinsurance	$ 1,028,134	$ 1,041,752	$ 1,055,373

The net favorable development of $42.1 million in 2024 was primarily attributable to workers' compensation favorable loss development trends for accident years 2021 through 2023 and 2019 and prior.
The net favorable development of $50.7 million in 2023 was primarily attributable to workers' compensation favorable loss development trends for accident years 2012 and accident years 2021 and 2022. The net favorable development of $43.2 million in 2022 was primarily attributable to workers' compensation favorable loss development trends for accident years 2015 through 2021.

Note 9. Long-Term Debt

As of December 31, 2024 and 2023, the outstanding principal amount and fair value of the Company's Subordinated Deferrable Interest Debentures ("long-term debt") was $38.5 million. The long-term debt is due in 2028 and bears interest at the rate of 8.55% per annum.

The semi-annual interest payments on the long-term debt may be deferred by Zenith National for up to ten consecutive semi-annual periods. This debt is redeemable by Zenith National at 100% of the principal amount plus a "make-whole premium," if any, together with accrued and unpaid interest. The make-whole premium is the excess of the sum of the present value of the principal amount at maturity and the present value of the remaining scheduled payments of interest over 100% of the principal amount. The original issue costs and discount on the long-term debt of $1.7 million are being amortized over the term of the long-term debt. In each of the years ended December 31, 2024, 2023 and 2022, interest, issue costs and discount expense were $3.3 million.

Note 10. Reinsurance

Assumed Reinsurance

The Company has reinsurance agreements with various subsidiaries of Allied World Assurance Company Holdings, Ltd. (collectively “Allied”), an affiliate of Fairfax and the Company, under which Allied cedes a portion of its global professional and medical liability business under quota share and excess of loss reinsurance contracts on a risk-attaching basis. These reinsurance agreements were renewed effective May 1, 2022, 2023, and 2024. Effective July 1, 2022, the Company entered into a risk-attaching quota share agreement under which Allied cedes a portion of its cyber business to the Company. This reinsurance agreement was renewed effective July 1, 2023 and 2024. Total estimated written premium assumed by the Company for these agreements is expected to be earned over a 24-month period following the effective dates of the agreements. See Note 12.

Reinsurance Ceded - Workers’ Compensation Coverage

The Company maintains excess of loss catastrophe reinsurance that provides protection for losses up to $150.0 million for losses including catastrophe losses arising out of earthquakes and acts of terrorism including nuclear, biological, chemical and radiological attacks. The Company also maintains a multi-cedant reinsurance contract for the $50.0 million in excess of $100.0 million layer, shared with other Fairfax affiliates. For the agriculture business, the Company retains the first $10.0 million of each loss arising from industrial accidents and the first $20.0 million of each loss arising out of earthquakes and acts of terrorism. For all other business classes, the Company retains the first $20.0 million of each loss.

Reinsurance Ceded - Agribusiness P&C Coverage

From January 1, 2021 through March 31, 2022, the Company maintained excess of loss per risk and catastrophe reinsurance on its Agribusiness P&C property lines of business that provided protection for losses up to $25.0 million and $20.0 million, respectively. The Company retained the first $3.5 million for each per risk loss and $5.0 million for catastrophe loss. In April 2022, the Company increased the catastrophe reinsurance coverage to $25.0 million. In April 2023, the Company increased the catastrophe reinsurance coverage and retention to $30.0 million and $6.0 million, respectively.

From January 1, 2021 through June 30, 2022, the Company participated in a quota share reinsurance agreement for the umbrella line of business. Under this quota share agreement, the Company retained 50% of the first $1.0 million and 10% in excess of $1.0 million up to $10.0 million on any one policy, any one claim or any one occurrence. On July 1, 2022, the terms of the quota share reinsurance agreement for the umbrella line of business changed and the Company retained 17.5% of the first dollar up to $10.0 million on any one policy, any one claim or any one occurrence. On July 1, 2023, the terms of the quota share reinsurance agreement for the umbrella line of business changed and the Company now retains 10.0% of the first dollar up to $5.0 million on any one policy, any one claim or any one occurrence. The Company also participates in a quota share reinsurance agreement for the equipment breakdown lines of business. Under the equipment breakdown quota share agreement, the Company cedes 100% of losses up to $100 million.

Direct and assumed premiums earned and ceded reinsurance transactions reflected in the accompanying Consolidated Statements of Comprehensive Income were as follows:

	Year Ended December 31,		
(In thousands)	2024	2023	2022
Direct premiums earned	$ 716,018	$ 720,966	$ 719,146
Assumed premiums earned (a)	48,191	47,286	32,029
Ceded premiums earned	(30,293)	(26,488)	(23,239)
Net premiums earned	$ 733,916	$ 741,764	$ 727,936
Ceded losses and LAE incurred	$ (25,421)	$ (8,498)	$ 9,874

(a) Assumed premium earned in the years ended December 31, 2024, 2023 and 2022, included $43.3 million, $42.3 million and $27.6 million, respectively, earned from Allied reinsurance contracts. See Note 12.

As of December 31, 2024 and 2023, amounts recoverable for paid and unpaid losses from reinsurers and their respective A.M. Best ratings were as follows:

	December 31,		A.M. Best	A.M. Best
(In thousands)	2024 (a)	2023 (a)	Rating (b)	Rating Date
General Reinsurance Company	$ 29,012	$ 20,137	A++	11/2024
Hannover Rueck SE	7,014	5,383	A+	12/2024
Partner Reinsurance Company	6,996	5,302	A+	02/2024
Zenith Insurance 2019 California AG IC 1 LLC	3,525	2,401	NR	
Transatlantic Reinsurance Company	3,214	5,934	A++	01/2024
Axis Reinsurance Company	2,518	1,703	A	08/2024
Odyssey Reinsurance Company (c)	2,381	1,340	A+	07/2024
Chaucer Ins Co Designated Activity Co	2,268	1,195	A	11/2024
Factory Mutual Insurance Company	1,698	1,779	A+	01/2024
Renaissance Reinsurance US Inc	1,277	1,263	A+	09/2024
All others (d)	2,423	1,955		
Total	$ 62,326	$ 48,392		

(a) Under insurance regulations in California, non-California domiciled 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 12 for additional information on ceded reinsurance transactions with related parties.

(d) No individual reinsurer in excess of $1.2 million at both December 31, 2024 and 2023.

Note 11. Stockholders’ Equity and Statutory Financial Information

Dividend Restrictions

The California Insurance Holding Company System Regulatory Act limits the ability of Zenith Insurance to pay dividends to Zenith National and for Zenith Insurance to receive dividends from ZNAT Insurance Company (“ZNAT”), its wholly-owned insurance subsidiary, by providing that the appropriate insurance regulatory authorities in the state of California must approve any dividend that, together with all other such dividends paid during the preceding twelve months, exceeds the greater of: (a) 10% of the paying company’s statutory surplus as regards policyholders at the preceding December 31; or (b) 100% of the net income for the preceding year. In addition, any such dividend must be paid from policyholders’ surplus attributable to accumulated earnings. Such restrictions on dividends are not cumulative. Dividend payments from Zenith Insurance to Zenith National must also be in compliance with the California Corporations Code that permit dividends to be paid only out of retained earnings and only if specified ratios between assets and liabilities and between current assets and current liabilities exist after payment.

Zenith National paid ordinary cash dividends of $100.0 million, ordinary dividends of $40.0 million ($25.0 million in cash and $15.0 million in common stock), and ordinary cash dividends of $64.0 million in 2024, 2023 and 2022, respectively, to affiliates of Fairfax and the Company.

Zenith Insurance paid an ordinary cash dividends of $105.0 million, ordinary dividends of $45.0 million ($30.0 million in cash and $15.0 million in common stock) and ordinary cash dividends of $70.0 million in 2024, 2023 and 2022, respectively, to Zenith National. Zenith Insurance has the ability to pay up to $70.5 million of dividends to Zenith National without prior approval of the California Department of Insurance (“California DOI”) during 2025.

In 2024, 2023 and 2022, ZNAT paid cash dividends of $2.0 million, $2.1 million and $2.3 million, respectively, to Zenith Insurance to reduce ZNAT’s excess capital. ZNAT has the ability to pay up to $2.0 million to Zenith Insurance without prior approval of the California DOI during 2025.

Statutory Financial Data

The capital stock and surplus and net income of the Company’s insurance subsidiaries, prepared in accordance with the statutory accounting practices of the National Association of Insurance Commissioners, as adopted by the California Department of Insurance, were as follows:

	As of and for the Year Ended December 31,		
(In thousands)	2024	2023	2022
Capital stock and surplus	$ 705,771	$ 734,126	$ 708,802
Net income	$ 62,030	$ 204,720	$ 89,818

Statutory accounting net income/loss differs from GAAP primarily due to the timing of the recognition of changes in fair value of investment securities.

The insurance business is subject to state-by-state regulation and legislation focused on solvency, pricing, market conduct, claims practices, underwriting, accounting, investment criteria and other areas. Such regulation and legislation change frequently. Compliance is essential and is an inherent risk and cost of the business. The Company believes it is in compliance with all material regulations.

Note 12. Related Party Transactions

Investments

Management of all 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. Investment management expenses incurred under these agreements in the years ended December 31, 2024, 2023 and 2022, were $4.9 million, $5.2 million and $5.1 million, respectively.

In December 2024, the Company completed two purchases of U.S. Treasury securities (including principal and interest) for cash consideration of $13.5 million and $8.7 million, from Allied and from U.S. Fire Insurance Company, a Fairfax affiliate, respectively. Approval from the California DOI was not required as the total amount for each entity was below the applicable regulatory threshold.

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. The proceeds represented fair value at the time of sale, which also approximated amortized cost. Approval from the California DOI was not required as the total amount was below the applicable regulatory threshold.

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 comprehensive income (loss) and any other changes in investee's equity are recorded in the change in unrealized gains/losses on investments and change in unrealized foreign currency translation adjustments, as applicable, in other comprehensive income (loss).

As of December 31, 2024 and 2023, the carrying values of the Company’s affiliated investments were as follows:

	December 31,	
(In thousands)	2024	2023
Equity securities, at fair value	$ 139,699	$ 204,272
Other investments:		
Equity-method common stock	207,499	135,813
Equity-method partnerships	5,022	
Partnerships, at fair value	1,410	5,661
Affiliate corporate loans, at fair value	6,019	7,210
Total affiliated investment assets	$ 359,649	$ 352,956
Other liabilities – indemnity liability	$ (7,772)	$ (12,541)

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

	Year Ended December 31,		
(In thousands)	2024	2023	2022
Included in net income, before tax:			
Net investment income	$ 2,697	$ 23,408	$ 9,548
Net realized gains (losses) on investments	58,998	(7,744)	(6,770)
Change in net unrealized gains/losses on fair value option investments	(40,892)	17,275	(2,968)
Net losses on derivatives		(23)	(1,665)
Included in other comprehensive income (loss), before tax:			
Change in unrealized gains/losses on investments	6,427	(3,855)	(339)
Change in unrealized foreign currency translation adjustments	2,533	(3,923)	(3,202)
Included in total comprehensive income, before tax:	$ 29,763	$ 25,138	$ (5,396)

In November 2024, certain affiliates of Fairfax including the Company foreclosed on a commercial property that was collateral on a mortgage loan in default held by Fairfax affiliates, including the Company. The newly formed KW-F SBG LP ("SBG LP"), a limited partnership, was established to own the foreclosed property. Fairfax affiliates, including the Company, are limited partners with a majority economic interest in SBG LP, which became an affiliate of Fairfax and the Company. The Company’s interest in SBG LP is $5.0 million which approximates the fair value of the Company's investment in the defaulted mortgage loan. The Company accounts for its investment in SBG LP using the equity-method of accounting. As of December 31, 2024, the carrying value of the Company's interest in SBG LP remained at cost.

In November 2024, Cleveland-Cliffs Inc. ("Cliffs") completed its previously announced acquisition of all the outstanding common shares of Stelco. As a result of this sale, the Company received cash proceeds of Cdn$103.6 million (USD $74.4 million) and 784,012 shares of Cliff's common stock with a fair value of Cdn$14.5 million (USD $10.4 million) and recognized a net realized gain of $58.6 million, including a gain on foreign exchange. Prior to this transaction, in 2024, the Company received dividends of $2.2 million from its common stock investment in Stelco. In 2023 and 2022, the Company received dividends of $5.9 million and $5.6 million, respectively, of which $4.3 million and $4.4 million were special dividends.

In October 2024, Fairfax, through its subsidiaries, including the Company, acquired all issued and outstanding common shares of Sleep Country Canada Holdings Inc., a Canadian specialty sleep retailer, that became an affiliate of Fairfax and the Company concurrent with this acquisition. The Company accounts for this investment as an affiliated common stock using the equity-method of accounting. The Company's share of this transaction was $70.4 million and at December 31, 2024, the carrying value of this investment equaled its cost.

In August 2024 and December 2023, the Company received a $4.0 million and $1.2 million cash distributions, respectively, from Peak Achievements Athletics ("PAA"), an affiliate of Fairfax and the Company. Both distributions were recorded as reductions to the carrying value of the Company's equity-method investment in

PAA common stock. In the fourth quarter 2024, Fairfax, through its subsidiaries, acquired all the outstanding equity interests in PAA from Sagard Holdings Inc. and other minority shareholders. The Company did not participate in this additional acquisition. As of December 31, 2024 and 2023, the carrying value of the Company's equity-method investment in PAA common stock was $8.4 million and $8.6 million, respectively.

In August 2024, Fairfax, through its subsidiaries, and Prime One Capital completed the privatization of Ovostar Union Public Company ("Ovostar"), an affiliate of Fairfax and the Company, by acquiring all remaining outstanding common shares. Following the privatization, Ovostar was delisted from the Warsaw stock exchange. The Company initially invested $9.8 million in Ovostar in September 2023. The Company did not participate in the August 2024 additional acquisition. The Company elected the fair value option accounting for its investment in Ovostar. The carrying value of this investment was $10.2 million and $10.8 million as of December 31, 2024 and 2023, respectively.

In March 2024, Fairfax, through its subsidiaries, completed the privatization of FE by acquiring all remaining outstanding common shares (at Cdn$0.35 per share). Following the privatization, FE’s common stock was delisted from the TSX. In the year ended, December 31, 2024 the Company reclassified OTTI of $0.4 million, from other comprehensive losses into realized losses as a result of the extent and duration that the fair value of FE’s common stock had been below its carrying value. In 2022, the Company recorded OTTI of $1.0 million as a result of the extent and duration that the fair value of FE’s common stock had been below its carrying value. As of December 31, 2024 and 2023, the carrying value of the Company's equity-method investment in FE common stock was zero.

In 2024, the Company invested $1.4 million in Waterous Energy Fund III (International FI) LP ("Waterous LP"), an affiliate of Fairfax and the Company. The Company elected the fair value option accounting for its investment in Waterous LP. The carrying value of this investment was $1.2 million as of December 31, 2024.

In March 2023, Poseidon Acquisition Corp. ("PAC") completed its acquisition of all the outstanding common shares of Atlas. The surviving entity was renamed Poseidon. Prior to this transaction, in January 2023, 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, in connection with the upcoming merger. Separately, in March 2023, Fairfax, including the Company, received additional Atlas common stock shares, which were previously held back in connection to the sale of AB (also known as APR Energy, an affiliated investment of both Fairfax and the Company) to Atlas in February 2020. The Company's portion of the common shares issued where recorded at a cost of $0.9 million. At both December 31, 2024 and 2023, the carrying value of the Company's fair value option investment in Poseidon common stock was $55.9 million. The Company also owns preferred stock issued by Atlas, which had a carrying value of $10.0 million and $9.6 million as of December 31, 2024 and 2023, respectively.

In April 2021, Fairfax signed an amendment agreement in relation to the original sale of AB to Atlas to potentially compensate Atlas for certain amounts and balances acquired in the transaction (“AB Indemnity” recorded as a liability). In the years ended December 31, 2024, 2023 and 2022 the Company paid $5.3 million, $2.3 million and $5.2 million, respectively, and recorded net realized losses of $0.5 million, $0.7 million and $7.6 million, respectively, related to the AB Indemnity. As of December 31, 2024 and 2023, the Company's outstanding AB Indemnity liability was $7.8 million and $12.5 million, respectively.

The Company owns an equity-method investment in the common stock of Boat Rocker Media Inc. ("Boat Rocker"), a majority-owned subsidiary of Fairfax and an affiliate of the Company. In the years ended December 31, 2024 and 2023 the Company recorded OTTIs of $1.1 million and $10.9 million, respectively, as a result of the extent and duration that the fair value of Boat Rocker’s common stock had been below its carrying value. As of December 31, 2024 and 2023, the carrying value of the Company's equity-method investment in Boat Rocker common stock was $6.1 million and $4.8 million, respectively.

In November 2023, Fairfax, through its subsidiaries, including the Company, acquired a majority of the economic interest in FF Meadow Holdings Limited ("Meadow"). Meadow is a privately held UK-based ingredients company focusing on the dairy, confectionery, and plant-based industries. Meadow became an affiliate of Fairfax and the Company simultaneous with this investment. The Company's share of this acquisition was $50.4 million, and it accounts for this affiliated common stock investment using the equity-method of accounting. As of December 31, 2024 and 2023, the carrying value of the Company's investment in Meadow was $51.0 million and $50.4 million, respectively.

In September, 2023, HWIC Asia Fund J ("HWIC J"), a wholly-owned subsidiary of Fairfax and an affiliate of the Company, paid a cash distribution of $1.8 million to the Company that was recorded as dividend income. As of

December 31, 2024 and 2023, the carrying value of the investment in HWIC J was $14.7 million and $11.7 million, respectively.

On March 31, 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 its investments in ONX. At both December 31, 2024 and 2023, the carrying values of the Company's investments in ONX common stock and preferred stock were $0.5 million and $9.0 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. At both December 31, 2024 and 2023, the carrying value of the Company’s investment in GH affiliated common stock was $12.3 million.

Other

Zenith National paid ordinary cash dividends of $100.0 million, ordinary dividends of $40.0 million ($25.0 million in cash and $15.0 million in common stock), and ordinary cash dividends of $64.0 million, in 2024, 2023 and 2022, respectively, to affiliates of Fairfax and the Company.

The Company continues to be a party to the reinsurance agreements with various subsidiaries of Allied, for 2021 through 2024, as described in Note 10. The following table summarizes the significant impact from these agreements on the Consolidated Balance Sheets:

	December 31,	
(In thousands)	2024	2023
Assets:		
Premiums receivable	$ 12,551	$ 9,082
Deferred policy acquisition costs	7,378	7,156
Liabilities:		
Unpaid losses and LAE	55,798	41,945
Unearned premiums	20,256	19,791

The following table summarizes the significant impact from these agreements on Consolidated Statements of Comprehensive Income:

	December 31,		
(In thousands)	2024	2023	2022
Revenues:			
Net premium earned	$ 43,334	$ 42,252	$ 27,642
Expenses:			
Loss and LAE incurred	22,915	26,024	16,878
Policy acquisition costs	16,102	15,565	9,597

The Company continues to be a party to various reinsurance treaties with affiliates of Fairfax and the Company that were entered into in the ordinary course of business, primarily excess of loss reinsurance agreements with Odyssey Re for 2010 through 2022. As of December 31, 2024 and 2023, the Company recorded net receivable of $0.8 million and $0.4 million, respectively, for reinsurance, related to the reinsurance transactions with affiliates of Fairfax. In the years ended December 31, 2024, 2023 and 2022, the Company recorded $4.4 million, $4.0 million and $3.2 million of ceded premium earned net of ceded commissions, respectively, related to the reinsurance transactions with affiliates of Fairfax.

In the years ended December 31, 2024, 2023 and 2022, Zenith National paid Fairfax $10.1 million, $2.1 million and $9.3 million, respectively, for the cost of the open market purchase made by Fairfax on Zenith National's behalf of Fairfax Subordinate Voting Shares granted to certain officers under the Restricted Stock Plan.

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 years ended December 31, 2024, 2023 and 2022, service fee revenue recorded in the Consolidated Statements of Comprehensive Income for RiverStone was $6.8 million, $6.5 million and $6.2 million, respectively, and for Seneca was $0.1 million, for each period. As of December 31, 2024 and 2023, the Company recorded a net liability of $5.2 million and $4.2 million, respectively, to RiverStone comprised of a loss fund held for RiverStone claims of $5.7 million and $4.6 million, respectively, offset by a service fee receivable from RiverStone of $0.5 million and $0.4 million, respectively. As of December 31, 2024 and 2023, the loss fund held for Seneca claims was $0.4 million.

Note 13. Other Comprehensive Income (Loss)

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

(In thousands)	Pre-Tax	Tax Expense (Benefit)	After-Tax
Year ended December 31, 2024			
Change in unrealized gains/losses on investments	$ 6,427	$ 1,349	$ 5,078
Change in unrealized foreign currency translation adjustments	2,533	532	2,001
Total other comprehensive income	$ 8,960	$ 1,881	$ 7,079
Year ended December 31, 2023			
Change in unrealized gains/losses on investments	$ (3,855)	$ (810)	$ (3,045)
Change in unrealized foreign currency translation adjustments	(3,923)	(824)	(3,099)
Total other comprehensive loss	$ (7,778)	$ (1,634)	$ (6,144)
Year ended December 31, 2022			
Change in unrealized gains/losses on investments	$ (339)	$ (70)	$ (269)
Change in unrealized foreign currency translation adjustments	(3,202)	(673)	(2,529)
Total other comprehensive loss	$ (3,541)	$ (743)	$ (2,798)

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

	December 31,	
(In thousands)	2024	2023
Net unrealized loss on investments, before tax	$ (5,450)	$ (11,877)
Deferred tax benefit	(1,145)	(2,494)
Net unrealized loss on investments, after tax	(4,305)	(9,383)
Net unrealized loss on foreign currency translation adjustments, before tax	(8,365)	(10,898)
Deferred tax benefit	(1,757)	(2,289)
Net unrealized loss on foreign currency translation adjustments, after tax	(6,608)	(8,609)
Total accumulated other comprehensive loss	$ (10,913)	$ (17,992)

Note 14. Employee Benefit and Retirement Plans

The Company offers a tax deferred savings plan created under Section 401(k) of the Internal Revenue Code for all eligible employees. In the years ended December 31, 2024, 2023 and 2022, the Company matched 75% of the first 6% of compensation (subject to certain limits) that employees contributed to the plan and was not liable for any future payments under the plan. In the years ended December 31, 2024, 2023 and 2022, the Company contributed $6.2 million, $6.0 million and $5.7 million, respectively, under the plan.

In June 2010, an employee stock purchase plan was approved by Zenith National's Board of Directors providing for the purchase of up to 100,000 Fairfax Subordinate Voting Shares. In April 2020, the plan was amended and restated to provide for an additional 200,000 Fairfax Subordinate Voting Shares. The plan limits employee contributions to 10% of base salary or wages before tax for each payroll period. Under this stock purchase plan, the Company matches 30% of employee contributions and purchases Fairfax Subordinate Voting Shares at market value. If the Company achieves certain annual profitability conditions, it will provide an additional 20% match on the total contributions made during the year to employees who are employed on the date the additional match is made. In the years ended December 31, 2024, 2023 and 2022, the Company contributed $2.8 million, $2.5 million and $2.3 million, respectively, in matching contributions under the plan. The Company is not liable for any future payments under the plan.

Note 15. Commitments and Contingencies

Litigation

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.

Leases

The Company has operating leases for offices and automobiles. The automobile and office leases have remaining lease terms of up to 4 and 10 years, respectively, some of which include options to extend the leases for up to 5 years and some of which include options to terminate the leases within 3 years. The exercise of the renewal option is at the Company's discretion. The operating lease liability includes lease payments related to options to extend or renew the lease term if the Company is reasonably certain of exercising those options. The Company utilizes a risk-free interest rate for periods comparable to the term of the underlying lease to determine the present value of lease payments.

In the years ended December 31, 2024, 2023 and 2022, lease expenses were $10.1 million, $8.9 million and $8.7 million, respectively.

Additional information related to the operating leases is provided below:

	As of and for the year ended December 31, 2024	
(In thousands)	Offices	Automobile
Cash payments included in the measurement of lease liabilities reported in operating cash flows	$ 6,459	$ 1,195
Weighted average discount rate	3.07%	4.12%
Weighted average remaining lease term (in years)	6.3 years	2.2 years

The following table presents the contractual maturities of the Company's lease liabilities as of December 31, 2024:

(In thousands)	Offices	Auto Fleet	Total
2025	$ 7,668	$ 1,346	$ 9,014
2026	7,279	898	8,177
2027	6,954	274	7,228
2028	3,789	34	3,823
2029	2,728		2,728
Thereafter	9,175		9,175
Total undiscounted lease payments	$ 37,593	$ 2,552	$ 40,145
Less: present value adjustment	3,847	221	4,068
Operating lease liability	$ 33,746	$ 2,331	$ 36,077

Note 16. 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 December 31, 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	1,082.43	9,936
Vested during 2024	(10,799)	473.06	(5,109)
Restricted Shares as of December 31, 2024	60,962	545.04	$ 33,227

In the years ended December 31, 2024, 2023 and 2022, stock-based compensation expense before tax was $6.3 million, $5.6 million and $7.8 million, respectively.

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

Supplementary Consolidating Information

Report of Independent Auditors

To the Management of Zenith National Insurance Corp.

We have audited the consolidated financial statements of Zenith National Insurance Corp. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of comprehensive income, of cash flows and of stockholders' equity for each of the three years ended December 31, 2024, 2023 and 2022 including the related notes, and have issued our report thereon dated February 28, 2025, which included an unmodified opinion on those consolidated financial statements. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary consolidating balance sheet and notes to supplementary consolidating balance sheet as of December 31, 2024 (the "supplemental information") is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The consolidating information is not intended to present, and we do not express an opinion on, the financial position, results of operations and cash flows of the individual companies. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

Los Angeles, California
February 28, 2025

ZENITH NATIONAL INSURANCE CORP. AND SUBSIDIARIES
SUPPLEMENTARY CONSOLIDATING BALANCE SHEET
DECEMBER 31 2024

(In thousands)	Zenith Insurance Company	ZNAT Insurance Company	1390 Main Street, LLC	Zenith Insurance Management Services, Inc.	Zenith of Nevada, Inc.	Zenith Captive Insurance Company	Zenith Insurance Company Eliminations	Note	**Zenith Insurance Company & Subsidiaries**	Zenith National Insurance Corp.	Zenith National Insurance Corp. Eliminations	Note	**Zenith National Insurance Corp. & Subsidiaries**
Assets:													
Investments	$ 1,635,361	$ 44,624							$ 1,679,985	$ 10,327			$ 1,690,312
Cash	44,060	3,195			$ 1	$ 323			47,579	3,044			50,623
Accrued investment income	9,486	333							9,819	119			9,938
Premiums receivable	71,685	1,851							73,536				73,536
Earned but unbilled premium receivable	3,155	64							3,219				3,219
Reinsurance recoverables	83,846	153,475					$ (174,995)	(2a)	62,326				62,326
Deferred policy acquisition costs	23,263	1,832							25,095				25,095
Deferred tax asset	77,574	844							78,418	448			78,866
Investment in subsidiaries	19,736						(19,736)	(2b)		748,885	$ (748,885)	(2c)	
Operating lease right-of-use assets	34,273								34,273				34,273
Goodwill	18,976								18,976	2,009			20,985
Other assets	55,357	424							55,781	106			55,887
Intercompany	5,649	(7,204)				(2)			(1,557)	1,557			
Total assets	$ 2,082,421	$ 199,438			$ 1	$ 321	$ (194,731)		$ 2,087,450	$ 766,495	$ (748,885)		$ 2,105,060
Liabilities:													
Unpaid losses and LAE	$ 1,027,590	$ 159,856					$ (159,312)	(2a)	$ 1,028,134				$ 1,028,134
Unearned premiums	136,352	15,683					(15,683)	(2a)	136,352				136,352
Policyholders dividends accrued	23,764	3,073							26,837				26,837
Long-term debt										$ 38,397			38,397
Income tax payable	10,392	(82)							10,310	38			10,348
Operating lease liabilities	36,077								36,077				36,077
Other liabilities	99,361	1,486				$ 8			100,855	4,937			105,792
Total liabilities	1,333,536	180,016				8	(174,995)		1,338,565	43,372			1,381,937
Total stockholders' equity	748,885	19,422			$ 1	313	(19,736)	(2b)	748,885	723,123	$ (748,885)	(2c)	723,123
Total liabilities and stockholders' equity	$ 2,082,421	$ 199,438			$ 1	$ 321	$ (194,731)		$ 2,087,450	$ 766,495	$ (748,885)		$ 2,105,060

This supplementary consolidating balance sheet should be read in connection with the accompanying notes to supplementary consolidating balance sheet, the Consolidated Financial Statements and notes to the Consolidated Financial Statements.

ZENITH NATIONAL INSURANCE CORP. AND SUBSIDIARIES
NOTES TO SUPPLEMENTARY CONSOLIDATING BALANCE SHEET

1. Basis of Presentation

The accompanying supplementary Consolidating Balance Sheet has been prepared in accordance with GAAP and includes the accounts of Zenith Insurance, ZNAT, 1390 Main Street LLC, Zenith Insurance Management Services, Inc., Zenith of Nevada, Inc., Zenith Captive Insurance Company and Zenith National.

2. Consolidating Eliminations

The following eliminations are reflected in the accompanying supplementary consolidating Balance Sheet as of December 31, 2024:

(a) To eliminate intercompany reinsurance balances;

(b) To eliminate Zenith Insurance's investment in ZNAT, Zenith of Nevada, Inc. and Zenith Captive Insurance Company; and

(c) To eliminate Zenith National's investment in Zenith Insurance.