

**Zenith National Insurance Corp. and Subsidiaries**

**Consolidated Financial Statements**  
**as of March 31, 2025 and December 31, 2024 and for the three months**  
**ended March 31, 2025 and 2024**  
**(unaudited)**

# **Zenith National Insurance Corp. and Subsidiaries**

## **Consolidated Financial Statements (unaudited)**

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

| (In thousands, except par value)  | March 31,<br>2025   | December 31,<br>2024 |
|---|---------------------|----------------------|
| <b>Assets:</b>  |                     |                      |
| Investments:  |                     |                      |
| Fixed maturity securities, at fair value (amortized cost \$961,252 in 2025 and \$948,679 in 2024) | \$ 972,328          | \$ 946,696           |
| Equity securities, at fair value (cost \$275,887 in 2025 and \$269,698 in 2024)                   | 259,002             | 255,440              |
| Equity-method investments   | 212,122             | 212,521              |
| Mortgage loans, at fair value (amortized cost \$199,418 in 2025 and \$206,386 in 2024)            | 189,425             | 197,495              |
| Other investments, at fair value (cost \$68,886 in 2025 and \$69,622 in 2024)                     | 68,040              | 69,052               |
| Short-term investments, at fair value   | 5,219               | 3,633                |
| Derivative assets, at fair value (cost \$1,823 in both 2025 and 2024)                             | 1,333               | 5,475                |
| <b>Total investments</b>  | <b>1,707,469</b>    | <b>1,690,312</b>     |
| Cash and cash equivalents   | 38,766              | 50,623               |
| Accrued investment income   | 9,770               | 9,938                |
| Premiums receivable   | 76,669              | 73,536               |
| Earned but unbilled premium receivable  | 3,219               | 3,219                |
| Reinsurance recoverables  | 65,173              | 62,326               |
| Deferred policy acquisition costs   | 27,099              | 25,095               |
| Deferred tax asset  | 78,795              | 78,866               |
| Operating lease right-of-use assets   | 33,023              | 34,273               |
| Goodwill  | 20,985              | 20,985               |
| Other assets  | 60,507              | 55,887               |
| <b>Total assets</b>   | <b>\$ 2,121,475</b> | <b>\$ 2,105,060</b>  |
| <b>Liabilities:</b>   |                     |                      |
| Unpaid losses and loss adjustment expenses  | \$ 1,033,497        | \$ 1,028,134         |
| Unearned premiums   | 153,576             | 136,352              |
| Policyholders dividends accrued   | 26,190              | 26,837               |
| Long-term debt  | 38,404              | 38,397               |
| Income tax payable  | 203                 | 10,348               |
| Operating lease liabilities   | 34,733              | 36,077               |
| Derivative liabilities  | 472                 |                      |
| Other liabilities   | 95,819              | 105,792              |
| <b>Total liabilities</b>  | <b>1,382,894</b>    | <b>1,381,937</b>     |
| Commitments and contingencies (see Note 9)  |                     |                      |
| <b>Stockholders' equity:</b>  |                     |                      |
| Common stock, \$1 par value, 40 authorized shares; 39 shares issued and outstanding               | 39                  | 39                   |
| Additional paid-in capital  | 399,749             | 397,429              |
| Retained earnings   | 357,291             | 336,568              |
| Accumulated other comprehensive loss  | (18,498)            | (10,913)             |
| <b>Total stockholders' equity</b>   | <b>738,581</b>      | <b>723,123</b>       |
| <b>Total liabilities and stockholders' equity</b>   | <b>\$ 2,121,475</b> | <b>\$ 2,105,060</b>  |

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

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

| (In thousands)  | Three Months Ended March 31, |                    |
|---|------------------------------|--------------------|
|   | 2025                         | 2024               |
| <b>Revenues:</b>  |                              |                    |
| Net premiums earned   | \$ 174,101                   | \$ 178,349         |
| Net investment income   | 8,548                        | 13,889             |
| Net realized gains (losses) on investments                                | 22,703                       | (1,599)            |
| Change in net unrealized gains/losses on fair value option investments    | 9,054                        | (30,936)           |
| Net gains (losses) on derivatives   | (352)                        | 791                |
| Service fee revenue   | 2,817                        | 2,767              |
| <b>Total revenues</b>   | <b>216,871</b>               | <b>163,261</b>     |
| <b>Expenses:</b>  |                              |                    |
| Losses and loss adjustment expenses incurred                              | 110,502                      | 101,086            |
| Underwriting and other operating expenses:                                |                              |                    |
| Policyholder acquisition costs  | 38,872                       | 40,536             |
| Underwriting and other costs  | 37,019                       | 34,775             |
| Policyholders dividends   | 2,550                        | 4,177              |
| Interest expense  | 830                          | 830                |
| <b>Total expenses</b>   | <b>189,773</b>               | <b>181,404</b>     |
| Income (loss) before tax  | 27,098                       | (18,143)           |
| Income tax expense (benefit)  | 6,375                        | (3,681)            |
| <b>Net income (loss)</b>  | <b>\$ 20,723</b>             | <b>\$ (14,462)</b> |
| Change in unrealized gains/losses on investments, net of tax              | 688                          | 284                |
| Change in unrealized foreign currency translation adjustments, net of tax | (8,273)                      | 532                |
| <b>Other comprehensive income (loss)</b>                                  | <b>(7,585)</b>               | <b>816</b>         |
| <b>Total comprehensive income (loss)</b>                                  | <b>\$ 13,138</b>             | <b>\$ (13,646)</b> |

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

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

| (In thousands)   | Three Months Ended March 31, |                  |
|--|------------------------------|------------------|
|  | 2025                         | 2024             |
| <b>Cash flows from operating activities:</b>                 |                              |                  |
| Premiums collected, net of reinsurance                       | \$ 186,942                   | \$ 182,099       |
| Investment income received                                   | 10,212                       | 13,501           |
| Losses and loss adjustment expenses paid, net of reinsurance | (108,851)                    | (104,265)        |
| Underwriting and other operating expenses paid               | (86,617)                     | (69,846)         |
| Interest paid  | (1,646)                      | (1,646)          |
| Income taxes paid  | (14,432)                     | (237)            |
| Net cash provided by (used in) operating activities          | (14,392)                     | 19,606           |
| <b>Cash flows from investing activities:</b>                 |                              |                  |
| Purchases of investments:                                    |                              |                  |
| Fixed maturity securities - fair value option                | (21,223)                     | (640)            |
| Equity securities - fair value option                        | (5,230)                      |                  |
| Equity-method investments                                    | (43)                         |                  |
| Mortgage loans   | (3,359)                      | (3,435)          |
| Other investments  | (108)                        | (8,326)          |
| Proceeds from maturities and redemptions of investments:     |                              |                  |
| Fixed maturity securities - fair value option                |                              | 7,464            |
| Proceeds from sales of investments:                          |                              |                  |
| Fixed maturity securities - fair value option                | 5,798                        | 88,954           |
| Equity securities - fair value option                        | 11,948                       |                  |
| Mortgage loans   | 10,498                       | 933              |
| Other investments  | 560                          | 1,565            |
| Net decrease (increase) in short-term investments            | 521                          | (1,333)          |
| Net derivative cash settlements                              | 4,262                        | 372              |
| Capital expenditures and other                               | (984)                        | (599)            |
| Net cash provided by investing activities                    | 2,640                        | 84,955           |
| <b>Cash flows from financing activities:</b>                 |                              |                  |
| Dividends paid to common stockholders                        |                              | (100,000)        |
| Purchase of Fairfax shares for restricted stock awards       | (105)                        | (2,102)          |
| Net cash used in financing activities                        | (105)                        | (102,102)        |
| Net increase (decrease) in cash and cash equivalents         | (11,857)                     | 2,459            |
| Cash and cash equivalents at beginning of period             | 50,623                       | 39,060           |
| <b>Cash and cash equivalents at end of period</b>            | <b>\$ 38,766</b>             | <b>\$ 41,519</b> |

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

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

| (In thousands)   | Three Months Ended March 31, |             |
|--|------------------------------|-------------|
|  | 2025                         | 2024        |
| Reconciliation of net income (loss) to net cash provided by (used in) operating activities:        |                              |             |
| Net income (loss)  | \$ 20,723                    | \$ (14,462) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: |                              |             |
| Depreciation expense   | 524                          | 317         |
| Net accretion  | (2,783)                      | (2,944)     |
| Net realized losses (gains) on investments   | (22,703)                     | 1,599       |
| Change in net unrealized gains/losses on fair value option investments                             | (9,054)                      | 30,936      |
| Net losses (gains) on derivatives  | 352                          | (791)       |
| Equity in losses of investee   | 6,025                        | 2,379       |
| Stock-based compensation expense   | 2,425                        | 1,469       |
| Decrease (increase) in:  |                              |             |
| Accrued investment income  | 168                          | 2,138       |
| Premiums receivable  | (4,788)                      | (10,445)    |
| Reinsurance recoverables   | (2,846)                      | (4,463)     |
| Deferred policy acquisition costs  | (2,004)                      | (2,073)     |
| Net income taxes   | (8,058)                      | (3,918)     |
| Increase (decrease) in:  |                              |             |
| Unpaid losses and loss adjustment expenses   | 5,363                        | (1,926)     |
| Unearned premiums  | 17,224                       | 12,155      |
| Policyholders dividends accrued  | (647)                        | (58)        |
| Accrued expenses   | (8,353)                      | 3,786       |
| Interest payable   | (823)                        | (823)       |
| Prepaid policy and guarantee fund assessments  | (3,971)                      | 5,221       |
| Other  | (1,166)                      | 1,509       |
| Net cash provided by (used in) operating activities  | \$ (14,392)                  | \$ 19,606   |

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

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

| (In thousands)  | Three Months Ended March 31, |                   |
|---|------------------------------|-------------------|
|   | 2025                         | 2024              |
| <b>Common stock:</b>  | \$ 39                        | \$ 39             |
| <b>Additional paid-in capital:</b>  |                              |                   |
| Beginning of period   | 397,429                      | 401,199           |
| Stock-based compensation expense  | 2,425                        | 1,469             |
| Purchases of Fairfax shares for restricted stock awards                   | (105)                        | (2,102)           |
| End of period   | 399,749                      | 400,566           |
| <b>Retained earnings:</b>   |                              |                   |
| Beginning of period   | 336,568                      | 406,673           |
| Net income (loss)   | 20,723                       | (14,462)          |
| Dividends to common stockholders  |                              | (100,000)         |
| End of period   | 357,291                      | 292,211           |
| <b>Accumulated other comprehensive loss:</b>                              |                              |                   |
| Beginning of period   | (10,913)                     | (17,992)          |
| Change in unrealized gains/losses on investments, net of tax              | 688                          | 284               |
| Change in unrealized foreign currency translation adjustments, net of tax | (8,273)                      | 532               |
| End of period   | (18,498)                     | (17,176)          |
| <b>Total stockholders' equity</b>   | <b>\$ 738,581</b>            | <b>\$ 675,640</b> |

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

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

**Note 1. Basis of Presentation and Accounting Policies**

***Basis of Presentation***

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

The accompanying unaudited Consolidated Financial Statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (including normal, recurring adjustments) necessary for a fair presentation of the Company's financial position and results of operations for the periods presented have been included. The results of operations for an interim period are not necessarily indicative of the results for an entire year. These Consolidated Financial Statements should be read in conjunction with the Audited Consolidated Financial Statements and Notes thereto of the Company for the year ended December 31, 2024.

***Adopted Accounting Standards***

***Improvements to Income Tax Disclosures***

In December 2023, the Financial Accounting Standards Board ("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 Company adopted the guidance as of January 1, 2025. Its adoption did not have a material impact on the Company's consolidated financial position, results of operations, or cash flows.

***Recent Accounting Standards Not Yet Adopted***

***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.

***Reclassifications***

Certain prior year amounts in the accompanying Consolidated Financial Statements have been reclassified and amended to conform to the current year presentation.

***Subsequent Events***

The Company evaluated subsequent events through the date and time that the Consolidated Financial Statements were issued on May 15, 2025.

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

**Note 2. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include substantially all of the Company's operating cash balances that are invested in a highly liquid overnight money market fund administered by Bank of America through a daily sweep mechanism. The invested cash balance as of March 31, 2025 and December 31, 2024 was \$41.0 million and \$48.2 million, respectively.

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 March 31, 2025 and December 31, 2024 were as follows:

| (In thousands)                             | Cost or Amortized<br>Cost | Gross Unrealized<br>Gains | Gross Unrealized<br>(Losses) | Fair<br>Value (b)   |
|--|---------------------------|---------------------------|------------------------------|---------------------|
| <b>March 31, 2025</b>                      |                           |                           |                              |                     |
| <b>Fair value option investments:</b>      |                           |                           |                              |                     |
| Fixed maturity securities:                 |                           |                           |                              |                     |
| U.S. government debt                       | \$ 894,816                | \$ 13,424                 | \$ (2,351)                   | \$ 905,889          |
| Foreign government debt                    | 16,164                    |                           | (2,540)                      | 13,624              |
| Corporate debt                             | 50,272                    | 2,543                     |                              | 52,815              |
| Total fixed maturity securities            | 961,252                   | 15,967                    | (4,891)                      | 972,328             |
| Equity securities                          | 275,887                   | 31,315                    | (48,200)                     | 259,002             |
| Short-term investments                     | 5,219                     |                           |                              | 5,219               |
| Mortgage loans                             | 199,418                   |                           | (9,993)                      | 189,425             |
| Cost-method partnerships (a)               | 40,302                    | 9,492                     | (3,529)                      | 46,265              |
| Affiliate corporate loans (a)              | 6,851                     |                           | (890)                        | 5,961               |
| Contingent consideration receivable (a)    | 21,733                    |                           | (5,919)                      | 15,814              |
| <b>Total fair value option investments</b> | <b>\$ 1,510,662</b>       | <b>\$ 56,774</b>          | <b>\$ (73,422)</b>           | <b>\$ 1,494,014</b> |
| <b>December 31, 2024</b>                   |                           |                           |                              |                     |
| <b>Fair value option investments:</b>      |                           |                           |                              |                     |
| 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 receivable (a)    | 22,208                    |                           | (6,339)                      | 15,869              |
| <b>Total fair value option investments</b> | <b>\$ 1,498,018</b>       | <b>\$ 46,857</b>          | <b>\$ (72,559)</b>           | <b>\$ 1,472,316</b> |

(a) Other investments in the Consolidated Balance Sheets consist of cost-method partnerships, affiliate corporate loans and contingent consideration receivable. 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.

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

As of March 31, 2025, the Company had commitments to invest an additional \$11.1 million in partnerships and limited liability companies.

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

Fixed maturity securities, including short-term investments, by contractual maturity as of March 31, 2025 were as follows:

| (In thousands)                         | Fair Value        |
|--|-------------------|
| Due in one year or less                | \$ 73,067         |
| Due after one year through five years  | 549,259           |
| Due after five years through ten years | 331,420           |
| Due after ten years                    | 23,801            |
| <b>Total</b>                           | <b>\$ 977,547</b> |

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.

The following table sets forth additional information for the Company's equity-method investments as of March 31, 2025 and December 31, 2024:

| (In thousands)                     | Carrying Value    |                      | Carrying Value less Underlying<br>Net Asset Value |                      | Quoted Market Value |                      | Relative<br>Economic<br>Ownership |
|------------------------------------|-------------------|----------------------|---|----------------------|---------------------|----------------------|-----------------------------------|
|                                    | March 31,<br>2025 | December 31,<br>2024 | March 31,<br>2025                                 | December 31,<br>2024 | March 31,<br>2025   | December 31,<br>2024 | March 31,<br>2025                 |
| <b>Common stock (a):</b>           |                   |                      |   |                      |                     |                      |                                   |
| Sleep Country Canada Holdings Inc. | \$ 67,365         | \$ 70,352            |   |                      |                     |                      | 12.5 %                            |
| FF Meadow Holdings Limited         | 47,223            | 50,973               |   |                      |                     |                      | 16.9 %                            |
| Fairfax India Holdings Corp.       | 28,937            | 29,956               | \$ (639) (b)                                      | \$ (617) (b)         | \$ 23,028           | \$ 22,350            | 1.0 %                             |
| Peak Achievement Athletics         | 21,230            | 8,360                |   |                      |                     |                      | 5.1 %                             |
| Grivalia Hospitality S.A.          | 11,228            | 12,325               | 2,473 (b)   | 2,486 (b)            |                     |                      | 1.8 %                             |
| Exco Resources Inc.                | 11,047            | 11,217               | (1,230) (b)                                       | (1,230) (b)          |                     |                      | 1.3 %                             |
| Astarta Holdings NV                | 7,648             | 7,648                | (7,533) (c)                                       | (7,533) (c)          | 11,206              | 7,925                | 3.3 %                             |
| Helios Fairfax Partners Corp.      | 4,598             | 6,368                | (13,143) (c)                                      | (13,143) (c)         | 9,966               | 8,998                | 4.3 %                             |
| Alberta ULC                        | 4,092             | 4,224                |   |                      |                     |                      | 5.0 %                             |
| Boat Rocker Media Inc.             | 3,689             | 6,076                | (9,184) (c)                                       | (9,184) (c)          | 2,554               | 2,031                | 8.9 %                             |
| Total common stock, at equity      | \$ 207,057        | \$ 207,499           |   |                      |                     |                      |                                   |
| <b>Partnerships (a):</b>           |                   |                      |   |                      |                     |                      |                                   |
| KW-F SBG LP                        | \$ 5,065          | \$ 5,022             |   |                      |                     |                      | 5.0 %                             |
| Total equity-method investments    | \$ 212,122        | \$ 212,521           |   |                      |                     |                      |                                   |

- (a) Investments in equity-method limited partnerships and equity-method common stock are recorded at cost, adjusted for subsequent purchases, distributions, other-than-temporary impairment ("OTTI") (if any), and the Company's share of the changes in the investee's equity since initial acquisition.  
(b) Represents positive/(negative) goodwill and purchase price adjustments, if any.  
(c) Represents primarily OTTI write-down previously recorded.

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

Net investment income was as follows:

| (In thousands)                              | Three Months Ended<br>March 31, |           |
|---|---------------------------------|-----------|
|   | 2025                            | 2024      |
| Fixed maturity securities                   | \$ 10,603                       | \$ 11,068 |
| Mortgage loans                              | 3,579                           | 5,193     |
| Equity securities                           | 1,817                           | 1,540     |
| Short-term and other investments            | 836                             | 900       |
| Net loss from equity-method investments (a) | (6,025)                         | (2,379)   |
| Subtotal                                    | 10,810                          | 16,322    |
| Investment expenses                         | 2,262                           | 2,433     |
| Net investment income                       | \$ 8,548                        | \$ 13,889 |

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

| (In thousands)                          | Three Months Ended March 31, |            |
|---|------------------------------|------------|
|   | 2025                         | 2024       |
| Sleep Country Canada Holdings Inc.      | \$ 1,348                     |            |
| Alberta ULC                             | 131                          | \$ 326     |
| Exco Resources Inc.                     | (184)                        | 906        |
| Fairfax India Holdings Corp.            | (376)                        | 1,408      |
| Grivalia Hospitality S.A.               | (413)                        | (855)      |
| FF Meadow Holdings Inc.                 | (814)                        |            |
| Peak Achievement Athletics              | (1,570)                      | 16         |
| Helios Fairfax Partners Corp.           | (1,775)                      | (3,451)    |
| Boat Rocker Media Inc.                  | (2,372)                      | (729)      |
| Net loss from equity-method investments | \$ (6,025)                   | \$ (2,379) |

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

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

| (In thousands)   | Three Months Ended March 31, |            |
|--|------------------------------|------------|
|  | 2025                         | 2024       |
| Gains (losses) from equity-method investments (a)                                  | \$ 15,185                    | \$ (827)   |
| Sales of fixed maturity securities, including short-term investments and other (b) | 3,549                        | (1,843)    |
| Sales of equity securities (c)   | 3,948                        |            |
| Gains from other investments and other   | 21                           | 1,071      |
| Net realized gains (losses) on investments   | \$ 22,703                    | \$ (1,599) |

- (a) Net realized gains from equity-method investments in the three months ended March 31, 2025 was primarily due to dilution gains on Peak Achievement Athletics Inc. ("PAA") of \$14.8 million and FF Meadow Holdings Limited of \$0.4 million.
- (b) Net realized gains from sales of fixed maturity securities, including short-term investments and other in the three months ended March 31, 2025 were primarily due to a realized gain of \$3.6 million on the conversion of a convertible fixed maturity security into common stock.
- Net realized losses on sales of fixed maturity securities, including short-term investments and other in the three months ended March 31, 2024 were primarily due to realized losses on sales of U.S. Government securities of \$1.8 million.
- (c) Net realized gains from sales of equity securities in the three months ended March 31, 2025 were primarily due to a realized gain of \$3.9 million on sale of a common stock investment to United States Fire Insurance Company ("U.S. Fire"), an affiliate of Fairfax and the Company. See Note 5.

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

| (In thousands)   | Three Months Ended March 31, |             |
|--|------------------------------|-------------|
|  | 2025                         | 2024        |
| Change in net unrealized gains/losses recognized on fair value option investments                                  | \$ 9,054                     | \$ (30,936) |
| Less: Net losses (gains) recognized on fair value option investments sold  | (6,038)                      | 1,046       |
| Change in net unrealized gains/losses recognized on fair value option investments still held at the reporting date | \$ 15,092                    | \$ (31,982) |

As of March 31, 2025 and December 31, 2024, investments with a fair value of approximately \$720 million and \$700 million, respectively, were on deposit with regulatory authorities in compliance with insurance company regulations. As of March 31, 2025, the Company had additional qualifying securities with a fair value of approximately \$193 million available for deposit.

### **Note 3. Derivative Contracts**

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

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

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

|                           | Notional |          | Fair Value of Derivative |             |
|---------------------------|----------|----------|--------------------------|-------------|
| (In thousands)            | Amount   | Cost     | Assets                   | Liabilities |
| <b>March 31, 2025</b>     |          |          |                          |             |
| Foreign exchange forwards | 171,005  |          | \$ 1,029                 | \$ 472      |
| Equity warrants           | 10,000   | \$ 1,823 | 304                      |             |
| Total                     |          | \$ 1,823 | \$ 1,333                 | \$ 472      |
| <b>December 31, 2024</b>  |          |          |                          |             |
| Foreign exchange forwards | 170,796  |          | \$ 4,970                 |             |
| Equity warrants           | 10,000   | \$ 1,823 | 505                      |             |
| Total                     |          | \$ 1,823 | \$ 5,475                 |             |

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

| (In thousands)                           | Three Months Ended March 31, |            |
|--|------------------------------|------------|
|  | 2025                         | 2024       |
| <b>Net gains (losses) on settlements</b> |                              |            |
| CPI-linked derivatives                   |                              | \$ (2,800) |
| Foreign exchange forwards                | \$ 4,262                     | 372        |
| Total                                    | 4,262                        | (2,428)    |
| <b>Change in fair value</b>              |                              |            |
| Equity warrants                          | (201)                        | (372)      |
| Equity index put options                 |                              | (1,602)    |
| CPI-linked derivatives                   |                              | 2,800      |
| Foreign exchange forwards                | (4,413)                      | 2,393      |
| Total                                    | (4,614)                      | 3,219      |
| <b>Net gains (losses) on derivatives</b> |                              |            |
| Equity warrants                          | (201)                        | (372)      |
| Equity index put options                 |                              | (1,602)    |
| Foreign exchange forwards                | (151)                        | 2,765      |
| Total net gains (losses) on derivatives  | \$ (352)                     | \$ 791     |

As of March 31, 2025 and December 31, 2024, counterparties had no amounts pledged for the Company's benefit.

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**Note 4. 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 unobservable inputs used in the measurement of financial instruments. Management is required to use its own assumptions regarding unobservable inputs, as there is little, if any, market activity in these instruments or related observable inputs that can be corroborated at the measurement date. Certain cost-method partnership investments, which are measured at fair value using the NAV practical expedient, have been excluded. Investments for which NAV is only a component of the fair value measurement continue to be included.

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The following table presents the Company's investments measured at fair value on a recurring basis as of March 31, 2025 and December 31, 2024 classified by the valuation hierarchy discussed previously:

| (In thousands)                             | Total (a)           | Fair Value Measurement Using |                   |                   |
|--|---------------------|------------------------------|-------------------|-------------------|
|  |                     | Level 1                      | Level 2           | Level 3           |
| <b>March 31, 2025</b>                      |                     |                              |                   |                   |
| <b>Fair value option securities:</b>       |                     |                              |                   |                   |
| Fixed maturity securities:                 |                     |                              |                   |                   |
| U.S. government debt                       | \$ 905,889          |                              | \$ 905,889        |                   |
| Foreign government debt                    | 13,624              |                              | 13,624            |                   |
| Corporate debt                             | 52,815              |                              | 40,347            | \$ 12,468         |
| Total fixed maturity securities            | 972,328             |                              | 959,860           | 12,468            |
| Equity securities (b)                      | 259,002             | \$ 93,158                    | 9,981             | 126,960           |
| Short-term investments                     | 5,219               | 5,219                        |                   |                   |
| Mortgage loans (c)                         | 189,425             |                              |                   | 189,425           |
| Cost-method partnerships (b)               | 46,265              |                              |                   |                   |
| Affiliate corporate loans                  | 5,961               |                              |                   | 5,961             |
| Contingent consideration receivable        | 15,814              |                              |                   | 15,814            |
| <b>Total fair value option investments</b> | <b>\$ 1,494,014</b> | <b>\$ 98,377</b>             | <b>\$ 969,841</b> | <b>\$ 350,628</b> |
| <b>Derivatives:</b>                        |                     |                              |                   |                   |
| Equity warrants                            | \$ 304              |                              |                   | \$ 304            |
| Foreign exchange forwards                  | 1,029               |                              | \$ 1,029          |                   |
| Total derivative assets                    | 1,333               |                              | 1,029             | 304               |
| Foreign exchange forwards                  | (472)               |                              | (472)             |                   |
| Total derivative liabilities               | (472)               |                              | (472)             |                   |
| <b>Net derivatives</b>                     | <b>\$ 861</b>       | <b>\$ 557</b>                | <b>\$ 304</b>     |                   |
|  |                     |                              |                   |                   |
|  |                     |                              |                   |                   |
|  |                     |                              |                   |                   |
| (In thousands)                             | Total (a)           | Fair Value Measurement Using |                   |                   |
|  |                     | Level 1                      | Level 2           | Level 3           |
| <b>December 31, 2024</b>                   |                     |                              |                   |                   |
| <b>Fair value option securities:</b>       |                     |                              |                   |                   |
| 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           |
| Cost-method partnerships (b)               | 47,164              |                              |                   |                   |
| Affiliate corporate loans                  | 6,019               |                              |                   | 6,019             |
| Contingent consideration receivable        | 15,869              |                              |                   | 15,869            |
| <b>Total fair value option investments</b> | <b>\$ 1,472,316</b> | <b>\$ 97,896</b>             | <b>\$ 948,007</b> | <b>\$ 348,004</b> |
| <b>Derivatives:</b>                        |                     |                              |                   |                   |
| Equity warrants                            | \$ 505              |                              |                   | \$ 505            |
| Foreign exchange forwards                  | 4,970               |                              | \$ 4,970          |                   |
| Total derivative assets                    | \$ 5,475            |                              | \$ 4,970          | \$ 505            |

- (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 March 31, 2025 and December 31, 2024, certain common stock investments with a fair value of \$28.9 million and \$31.2 million, respectively, and cost-method partnerships with a fair value of \$46.3 million and \$47.2 million, respectively, are measured using NAV as a practical expedient and are not required to be classified in the fair value hierarchy.
- (c) As of March 31, 2025 and December 31, 2024, no mortgage loans were 90 days or more past due.

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

| (In thousands)   | Corporate Debt | Equity Securities (a) | Mortgage Loans | Affiliate Corporate Loans | Contingent Consideration Receivable | Derivatives |
|--|----------------|-----------------------|----------------|---------------------------|-------------------------------------|-------------|
| <b>Balance as of December 31, 2024</b>                                 | \$ 8,677       | \$ 119,944            | \$ 197,495     | \$ 6,019                  | \$ 15,869                           | \$ 505      |
| Purchases  | 10,823         | 5,000                 | 3,534          |                           |                                     |             |
| Sales  | (8,922)        | (17)                  | (10,498)       |                           | (420)                               |             |
| Realized and unrealized gains/losses included in:                      |                |                       |                |                           |                                     |             |
| Net investment income – accretion of discounts                         |                |                       | 99             |                           |                                     |             |
| Net realized gains (losses) on investments                             | 3,585          | 2                     | (103)          |                           | (55)                                |             |
| Change in net unrealized gains/losses on fair value option investments | (1,695)        | 2,031                 | (1,102)        | (58)                      | 420                                 |             |
| Net losses on derivatives  |                |                       |                |                           |                                     | (201)       |
| <b>Balance as of March 31, 2025</b>                                    | \$ 12,468      | \$ 126,960            | \$ 189,425     | \$ 5,961                  | \$ 15,814                           | \$ 304      |

| (In thousands)   | Corporate Debt | Equity Securities (a) | Mortgage Loans | Affiliate Corporate Loans | Contingent Consideration Receivable | Derivatives |
|--|----------------|-----------------------|----------------|---------------------------|-------------------------------------|-------------|
| <b>Balance as of December 31, 2023</b>                                 | \$ 10,135      | \$ 112,787            | \$ 210,758     | \$ 7,210                  | \$ 23,554                           | \$ 430      |
| Purchases  |                |                       | 4,022          |                           |                                     |             |
| Sales  |                |                       | (1,173)        |                           |                                     |             |
| Realized and unrealized gains/losses included in:                      |                |                       |                |                           |                                     |             |
| Net investments income – accretion of discounts                        |                |                       | 246            |                           |                                     |             |
| Change in net unrealized gains/losses on fair value option investments | (489)          | (1,139)               | 100            | (112)                     | (1,161)                             |             |
| Net losses on derivatives  |                |                       |                |                           |                                     | (372)       |
| <b>Balance as of March 31, 2024</b>                                    | \$ 9,646       | \$ 111,648            | \$ 213,953     | \$ 7,098                  | \$ 22,393                           | \$ 58       |

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

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**Note 5. Related Party Transactions**

*Investments*

Management of all of the Company's investments is centralized at Fairfax through investment management agreements entered into in 2010. The parties to these agreements are Zenith National's insurance subsidiaries, Fairfax and Hamblin Watsa Investment Counsel, Ltd. ("HWIC"), an affiliate of Fairfax and the Company. In the three months ended March 31, 2025 and 2024, investment management expenses incurred under these agreements were \$1.3 million.

In January 2025, the Company sold a common stock investment to U.S. Fire, an affiliate of Fairfax and the Company, for \$11.9 million in cash. The proceeds represented fair value at the time of sale, resulting in a gain of \$3.9 million, including foreign exchange. 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 (Loss). The Company's share of an equity-method investee's other changes in equity and net unrealized gains (losses) on foreign currency translation adjustments are recorded in the change in unrealized gains/losses on investments and change in unrealized foreign currency translation adjustments, respectively, in other comprehensive income (loss).

The Company's affiliated investments as of March 31, 2025 and December 31, 2024 were as follows:

| (In thousands)                           | March 31,<br>2025 | December 31,<br>2024 |
|--|-------------------|----------------------|
| Equity securities, at fair value         | \$ 143,559        | \$ 139,699           |
| Equity-method investments                | 212,122           | 212,521              |
| Other investments:                       |                   |                      |
| Partnerships, at fair value              | 1,007             | 1,410                |
| Affiliate corporate loans, at fair value | 5,961             | 6,019                |
| Total affiliated investment assets       | \$ 362,649        | \$ 359,649           |
| Other liabilities – indemnity liability  | \$ (7,772)        | \$ (7,772)           |

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

| (In thousands)  | Three Months Ended March 31,<br>2025 | 2024        |
|---|--------------------------------------|-------------|
| <b>Included in net income (loss) before tax</b>                           |                                      |             |
| Net investment loss   | \$ (4,413)                           | \$ (966)    |
| Net realized gains (losses) on investments                                | 15,187                               | (589)       |
| Change in net unrealized gains/losses on fair value option investments    | (1,376)                              | (9,484)     |
| <b>Included in other comprehensive income (loss), before tax:</b>         |                                      |             |
| Change in unrealized gains/losses on investments, before tax              | 872                                  | 359         |
| Change in unrealized foreign currency translation adjustments, before tax | (10,472)                             | 674         |
| Included in total comprehensive income (loss) before tax:                 | \$ (202)                             | \$ (10,006) |

In January 2025, Fairfax, through its subsidiaries, acquired a 50.0% interest in Blizzard Vacatia Equity Partners LLC ("Blizzard") in the form of equity and debt investments. Blizzard is engaged in the development, sales, marketing and rental of timeshare resorts. Blizzard became an affiliate of Fairfax and the Company with this transaction. The Company's share of the acquisition consisted of \$5.0 million of redeemable preferred stock of

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Blizzard; the Company elected to use the fair value option of accounting for this investment. As of March 31, 2025, the carrying value of the Company's investment in Blizzard remained at \$5.0 million.

In December 2024, Fairfax, through its subsidiaries, increased its equity interest in PAA to 100.0% by acquiring an additional equity interest from Sagard Holdings Inc. and another minority shareholder, using a newly formed purchasing entity which subsequently amalgamated with PAA. In the first quarter of 2025, upon receipt of PAA's acquisition balance sheet and PAA's post-acquisition financial statements, the Company recognized a dilution gain of \$14.8 million for its proportional share of the new entity's remeasured equity. As of March 31, 2025, the carrying value of the Company's equity method investment in PAA common stock was \$21.2 million, compared to \$8.4 million as of December 31, 2024.

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 with this transaction. The defaulted mortgage loan was initially transferred into SBG LP; and then in January 2025, Fairfax took ownership of the underlying collateral property as settlement of the mortgage loan. The initial cost of the Company's investment in SBG LP was \$5.1 million which approximated the fair value of the Company's investment in the defaulted mortgage loan as of March 31, 2025 and December 31, 2024.

On March 21, 2024, Fairfax, through its subsidiaries, completed privatization of Farmers Edge ("FE"), an affiliate of Fairfax and the Company, and acquired all the outstanding common shares of FE not previously held by Fairfax and its subsidiaries for a price of Cdn\$0.35 per share. FE's common stock was delisted from the Toronto Stock Exchange at the close of trading on March 25, 2024. As of March 31, 2025 and December 31, 2024, the carrying value of the Company's equity-method investment in FE common stock was zero.

In March 2024, the Company recorded additional OTTI of \$1.0 million for the equity-accounted Boat Rocker Media Inc. ("Boat Rocker") affiliated common stock as a result of continuous decline in the traded value of Boat Rocker shares. As of March 31, 2025 and December 31, 2024, the carrying value of the Company's equity-method investment in Boat Rocker common stock was \$3.7 million and \$6.1 million, respectively.

In January 2024, the Company invested \$0.1 million of a \$4.0 million commitment to Waterous Energy Fund III (International FI) LP ("Waterous LP"), an affiliate of Fairfax and the Company. Fairfax made a total commitment of \$750 million to Waterous. The Company elected the fair value option accounting for its investment in Waterous LP. As of March 31, 2025 and December 31, 2024, the carrying value of this investment was \$1.0 million and \$1.2 million.

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*Assumed Reinsurance*

The Company has reinsurance agreements (described below) with various affiliates of Fairfax that were entered into in the ordinary course of business.

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, 2024. The Company also 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, 2024.

Effective January 1, 2025, the Company entered into a reinsurance agreement with Brit Insurance Services Limited ("Brit"), an affiliate of Fairfax and the Company, under which Brit cedes a portion of its global property catastrophe risks under a quota share contract on a risk-attaching basis. Total estimated written premium assumed by the Company is expected to be earned over a 24-month period following the effective date of the treaty.

Also, effective January 1, 2025, the Company entered into a reinsurance agreement with a subsidiary of Crum & Forster Holding Corp. ("C&F"), an affiliate of Fairfax and the Company, to assume 100% of the premium and losses associated with excess workers' compensation policies fronted by C&F for Zenith related to several workers' compensation self-insurance funds.

The following table summarizes the significant impact from these agreements on various components of the Consolidated Balance Sheets:

| (In thousands)  | March 31,<br>2025 | December 31,<br>2024 |
|---|-------------------|----------------------|
| <b>Assets:</b>  |                   |                      |
| Premiums receivable   | \$ 14,605         | \$ 12,551            |
| Deferred policy acquisition costs                               | 7,462             | 7,378                |
| Funds withheld  | 1,672             | 1,672                |
| <b>Liabilities:</b>   |                   |                      |
| Losses and loss adjustment expenses reserves                    | 62,367            | 55,798               |
| Unearned premiums   | 24,097            | 20,256               |
| Reinsurance payable on paid losses and loss adjustment expenses | 4,009             | 4,517                |

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

| (In thousands)                               | Three Months Ended March 31,<br>2025 | 2024      |
|--|--------------------------------------|-----------|
| <b>Revenues:</b>                             |                                      |           |
| Net premium earned                           | \$ 12,299                            | \$ 10,770 |
| <b>Expenses:</b>                             |                                      |           |
| Policy acquisition costs                     | 4,241                                | 3,967     |
| Losses and loss adjustment expenses incurred | 9,644                                | 6,681     |

*Ceded Reinsurance*

The Company continues to be a party to various ceded reinsurance treaties with affiliates of Fairfax that were entered into in the ordinary course of business, primarily excess of loss reinsurance agreements with Odyssey Reinsurance Company for 2010 through 2025. As of March 31, 2025 and December 31, 2024, the Company recorded net receivable from reinsurers of \$0.7 million and \$0.8 million, respectively, related to the reinsurance transactions with affiliates of Fairfax. In the three months ended March 31, 2025, the Company recorded \$1.2 million of ceded premium earned, net of ceded commissions related from the affiliates, compared to \$0.9 million for the same period of 2024.

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*Claims Servicing*

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. Service fee income recorded in the Consolidated Statements of Comprehensive Income (Loss) for RiverStone was \$1.8 million for the three months ended March 31, 2025 compared to \$1.9 million for the same period of 2024, while Seneca received a net service fee credit for a large loss recovery of approximately \$3,000 for the three months ended March 31, 2025 compared to approximately \$11,000 in service fee revenue for the same period of 2024. As of March 31, 2025 and December 31, 2024, the Company recorded a net liability of \$4.3 million and \$5.2 million, respectively, to RiverStone. This comprised of a loss fund held for RiverStone claims of \$4.9 million and \$5.7 million for the respective periods, offset by service fee receivables from RiverStone of \$0.6 million and \$0.5 million for the respective periods. As of March 31, 2025 and December 31, 2024, the loss fund held for Seneca claims was \$0.5 million and \$0.4 million, respectively.

*Other*

In the three months ended March 31, 2024, Zenith National paid ordinary cash dividends of \$100.0 million to Fairfax affiliates. No dividends were paid in the three months ended March 31, 2025.

In the three months ended March 31, 2024, Zenith Insurance paid ordinary cash dividends of \$105.0 million to Zenith National. Zenith Insurance has the ability to pay up to \$70.5 million of additional dividends to Zenith National without prior approval of the California Department of Insurance ("California DOI") during 2025. No dividends were paid in the three months ended March 31, 2025.

**Note 6. Reinsurance Recoverable**

Amounts recoverable for paid and unpaid losses from reinsurers as of March 31, 2025 and December 31, 2024, and their respective A.M. Best ratings were as follows:

| (In thousands)                                   | March 31,<br>2025 | December 31,<br>2024 | A.M. Best<br>Rating (b) | A.M. Best<br>Rating Date |
|--|-------------------|----------------------|-------------------------|--------------------------|
| General Reinsurance Company                      | \$ 28,237         | \$ 29,012            | A++                     | 11-2024                  |
| Hannover Rueck SE                                | 7,960             | 7,014                | A+                      | 12-2024                  |
| Partner Reinsurance Company                      | 7,945             | 6,996                | A+                      | 02-2025                  |
| Zenith Insurance 2019 California AG IC 1 LLC (a) | 4,494             | 3,525                | NR                      |                          |
| Transatlantic Reinsurance Company                | 3,547             | 3,214                | A++                     | 02-2025                  |
| Odyssey Reinsurance Company (c)                  | 2,673             | 2,381                | A+                      | 07-2024                  |
| Axis Reinsurance Company                         | 2,510             | 2,518                | A                       | 08-2024                  |
| Factory Mutual Insurance Company                 | 2,215             | 1,698                | A+                      | 02-2025                  |
| Chaucer Ins Co Designated Activity Co            | 2,197             | 2,268                | A                       | 11-2024                  |
| Allied World Assurance Company Ltd (c)           | 1,367             | 1,066                | BBB+                    | 05-2024                  |
| All others (a)(d)                                | 2,028             | 2,634                |                         |                          |
| <b>Total</b>                                     | <b>\$ 65,173</b>  | <b>\$ 62,326</b>     |                         |                          |

(a) Under insurance regulations in California, not-admitted reinsurers placed collateral on deposit equal to the Company's ceded workers' compensation loss reserves.

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

(c) See Note 5 for additional related party description.

(d) No individual reinsurer in excess of \$1.2 million as of March 31, 2025 and December 31, 2024.

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**Note 7. Unpaid Losses and Loss Adjustment Expenses**

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

| (In thousands)                               | Three Months Ended March 31, |              |
|--|------------------------------|--------------|
|  | 2025                         | 2024         |
| Beginning of period, net of reinsurance      | \$ 985,411                   | \$ 999,781   |
| Incurred claims:                             |                              |              |
| Current accident year                        | 115,948                      | 112,412      |
| Prior accident years                         | (5,446)                      | (11,326)     |
| Total incurred claims                        | 110,502                      | 101,086      |
| Payments:                                    |                              |              |
| Current accident year                        | (14,655)                     | (16,815)     |
| Prior accident years                         | (90,598)                     | (85,569)     |
| Total payments                               | (105,253)                    | (102,384)    |
| End of period, net of reinsurance            | 990,660                      | 998,483      |
| Receivable from reinsurers for unpaid losses | 42,837                       | 41,343       |
| End of period, gross of reinsurance          | \$ 1,033,497                 | \$ 1,039,826 |

The net favorable development of \$5.4 million in the three months ended March 31, 2025 was primarily attributable to Workers' Compensation favorable loss development trends for accident years 2021 and prior, partially offset by adverse development for accident years 2022 through 2024, and Agribusiness P&C favorable loss development for the accident years 2022 through 2024.

The net favorable development of \$11.3 million in the three months ended March 31, 2024 was primarily attributable to Workers' Compensation favorable loss development trends for accident years prior to 2018 and accident years 2021 through 2023.

**Note 8. Stock-Based Compensation**

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

|   | Number of Shares |
|---|------------------|
| Authorized for purchases and grants at plan inception in 2010 | 200,000          |
| Additional authorization in 2020                              | 300,000          |
| Total authorized for purchases and grants                     | 500,000          |
| Purchased and restricted                                      | (50,091)         |
| Vested  | (119,716)        |
| Purchased and available for future grants                     | (4,632)          |
| Available for future purchases as of March 31, 2025           | 325,561          |

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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<br>Shares | Weighted<br>Average<br>Purchase Price<br>Per Share | Total<br>Purchase Price |
|---|---------------------|--|-------------------------|
| Purchased through December 31, 2022       | 162,686             | \$ 444.75  | \$ 72,355               |
| Purchased in 2023                         | 2,425               | 872.64   | 2,116                   |
| Purchased in 2024                         | 9,256               | 1,091.33   | 10,101                  |
| Purchased in 2025                         | 72                  | 1,462.05   | 105                     |
| Total purchased since plan inception      | 174,439             | 485.42   | \$ 84,677               |

Changes in the restricted shares outstanding were as follows:

| (Dollars in thousands, except share data)        | Number of<br>Shares | Weighted<br>Average Grant<br>Date Fair Value<br>Per Share | Grant<br>Date Fair Value |
|--|---------------------|---|--------------------------|
| <b>Restricted Shares as of December 31, 2022</b> | 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)                  |
| <b>Restricted Shares as of December 31, 2023</b> | 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)                  |
| <b>Restricted Shares as of December 31, 2024</b> | 60,962              | 545.04  | 33,227                   |
| Granted during 2025                              | 2,553               | 1,439.00  | 3,674                    |
| Forfeited during 2025                            | (92)                | 453.76  | (42)                     |
| Vested during 2025                               | (13,332)            | 454.65  | (6,061)                  |
| <b>Restricted Shares as of March 31, 2025</b>    | 50,091              | 614.82  | \$ 30,798                |

In the three months ended March 31, 2025 and 2024, stock-based compensation expense before tax was \$2.4 million and \$1.5 million, respectively.

As of March 31, 2025 and December 31, 2024, unrecognized compensation expense before tax under the Restricted Stock Plan was \$17.2 million and \$16.1 million, respectively.

**Note 9. Commitments and Contingencies**

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