

**Zenith National Insurance Corp. and Subsidiaries**

**Consolidated Financial Statements**  
**as of September 30, 2025 and December 31, 2024 and for the three and**  
**nine months ended September 30, 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)	September 30, 2025	December 31, 2024
<b>Assets:</b>		
Investments:		
Fixed maturity securities, at fair value (amortized cost \$932,034 in 2025 and \$948,679 in 2024)	\$ 952,848	\$ 946,696
Equity securities, at fair value (cost \$292,195 in 2025 and \$269,698 in 2024)	303,667	255,440
Equity-method investments	223,710	212,521
Mortgage loans, at fair value (amortized cost \$197,088 in 2025 and \$206,386 in 2024)	186,905	197,495
Other investments, at fair value (cost \$70,501 in 2025 and \$69,622 in 2024)	59,001	69,052
Short-term investments, at fair value which approximates cost	46,801	3,633
Derivative assets, at fair value (cost \$1,823 in 2025 and 2024)	2,182	5,475
<b>Total investments</b>	<b>1,775,114</b>	<b>1,690,312</b>
Cash and cash equivalents	72,289	50,623
Accrued investment income	9,591	9,938
Premiums receivable	80,235	73,536
Earned but unbilled premium receivable	1,619	3,219
Reinsurance recoverables	66,115	62,326
Deferred policy acquisition costs	29,022	25,095
Deferred tax asset	63,972	78,866
Income tax receivable	4,528	
Operating lease right-of-use assets	29,372	34,273
Goodwill	20,985	20,985
Other assets	51,931	55,887
<b>Total assets</b>	<b>\$ 2,204,773</b>	<b>\$ 2,105,060</b>
<b>Liabilities:</b>		
Unpaid losses and loss adjustment expenses	\$ 1,060,358	\$ 1,028,134
Unearned premiums	158,728	136,352
Policyholders dividends accrued	25,195	26,837
Long-term debt	38,418	38,397
Income tax payable		10,348
Operating lease liabilities	31,117	36,077
Derivative liabilities	88	
Other liabilities	107,388	105,792
<b>Total liabilities</b>	<b>1,421,292</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	404,180	397,429
Retained earnings	387,687	336,568
Accumulated other comprehensive loss	(8,425)	(10,913)
<b>Total stockholders' equity</b>	<b>783,481</b>	<b>723,123</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,204,773</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**  
**(UNAUDITED)**

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
<b>Revenues:</b>				
Net premiums earned	\$ 204,154	\$ 189,188	\$ 561,785	\$ 547,014
Net investment income	19,930	21,746	40,829	51,705
Net realized gains (losses) on investments	(4,222)	1,588	17,961	301
Change in net unrealized gains/losses on fair value option investments	22,119	67,591	36,305	15,882
Net gains (losses) on derivatives	3,694	(1,622)	(6,460)	438
Service fee revenue	2,657	2,443	8,110	7,576
<b>Total revenues</b>	<b>248,332</b>	<b>280,934</b>	<b>658,530</b>	<b>622,916</b>
<b>Expenses:</b>				
Losses and loss adjustment expenses incurred	127,535	106,529	352,462	309,133
Underwriting and other operating expenses:				
Policyholder acquisition costs	44,740	41,232	125,589	120,852
Underwriting and other costs	34,756	34,995	105,265	105,449
Policyholders dividends	2,342	3,605	8,211	12,309
Interest expense	830	830	2,490	2,490
<b>Total expenses</b>	<b>210,203</b>	<b>187,191</b>	<b>594,017</b>	<b>550,233</b>
Income before tax	38,129	93,743	64,513	72,683
Income tax expense	7,119	19,542	13,394	15,933
<b>Net income</b>	<b>\$ 31,010</b>	<b>\$ 74,201</b>	<b>\$ 51,119</b>	<b>\$ 56,750</b>
Change in unrealized gains/losses on investments, net of tax	1,466	1,249	2,398	1,976
Change in unrealized foreign currency translation adjustments, net of tax	9,033	2,397	90	1,689
<b>Other comprehensive income</b>	<b>10,499</b>	<b>3,646</b>	<b>2,488</b>	<b>3,665</b>
<b>Total comprehensive income</b>	<b>\$ 41,509</b>	<b>\$ 77,847</b>	<b>\$ 53,607</b>	<b>\$ 60,415</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)	Nine Months Ended September 30,	
	2025	2024
<b>Cash flows from operating activities:</b>		
Premiums collected, net of reinsurance	\$ 576,066	\$ 551,515
Investment income received	33,066	37,818
Losses and loss adjustment expenses paid, net of reinsurance	(324,013)	(333,195)
Underwriting and other operating expenses paid	(221,936)	(219,275)
Interest paid	(3,292)	(3,292)
Income taxes paid	(14,038)	(11,731)
<b>Net cash provided by operating activities</b>	<b>45,853</b>	<b>21,840</b>
<b>Cash flows from investing activities:</b>		
Purchases of investments:		
Fixed maturity securities - fair value option	(40,232)	(39,381)
Equity securities - fair value option	(28,211)	(1,836)
Equity-method investments	(613)	
Mortgage loans	(10,599)	(11,775)
Other investments	(2,358)	(8,577)
Proceeds from maturities and redemptions of investments:		
Fixed maturity securities - fair value option	410	12,361
Proceeds from sales of investments:		
Fixed maturity securities - fair value option	43,948	180,394
Equity securities - fair value option	35,493	474
Equity-method investments	479	4,436
Mortgage loans	20,936	12,858
Other investments	4,012	8,291
Net decrease (increase) in short-term investments	(40,915)	5,632
Net derivative cash settlements	(3,079)	343
Capital expenditures and other	(3,353)	(8,092)
<b>Net cash provided by (used in) investing activities</b>	<b>(24,082)</b>	<b>155,128</b>
<b>Cash flows from financing activities:</b>		
Dividends paid to common stockholders		(100,000)
Purchase of Fairfax shares for restricted stock awards	(105)	(10,101)
<b>Net cash used in financing activities</b>	<b>(105)</b>	<b>(110,101)</b>
Net increase in cash and cash equivalents	21,666	66,867
Cash and cash equivalents at beginning of period	50,623	39,060
<b>Cash and cash equivalents at end of period</b>	<b>\$ 72,289</b>	<b>\$ 105,927</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)	Nine Months Ended September 30,	
	2025	2024
Reconciliation of net income to net cash provided by operating activities:		
Net income	\$ 51,119	\$ 56,750
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	1,810	1,183
Net accretion	(8,507)	(8,892)
Net realized gains on investments	(17,961)	(301)
Change in net unrealized gains/losses on fair value option investments	(36,305)	(15,882)
Net losses (gains) on derivatives	6,460	(438)
Equity in losses (earnings) of investee	3,536	(4,011)
Stock-based compensation expense	6,856	4,606
Decrease (increase) in:		
Accrued investment income	347	2,688
Premiums receivable	(7,149)	(8,670)
Reinsurance recoverables	(3,789)	(18,188)
Deferred policy acquisition costs	(3,927)	(2,895)
Net income taxes	(643)	4,202
Increase (decrease) in:		
Unpaid losses and loss adjustment expenses	32,224	(9,835)
Unearned premiums	22,376	14,503
Policyholders dividends accrued	(1,642)	(1,698)
Accrued expenses	(734)	8,133
Interest payable	(823)	(823)
Prepaid policy and guarantee fund assessments	5,283	4,078
Other	(2,678)	(2,670)
Net cash provided by operating activities	\$ 45,853	\$ 21,840

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)	Nine Months Ended September 30,	
	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	6,856	4,606
Purchases of Fairfax shares for restricted stock awards	(105)	(10,101)
End of period	404,180	395,704
<b>Retained earnings:</b>		
Beginning of period	336,568	406,673
Net income	51,119	56,750
Dividends to common stockholders		(100,000)
End of period	387,687	363,423
<b>Accumulated other comprehensive loss:</b>		
Beginning of period	(10,913)	(17,992)
Change in unrealized gains/losses on investments, net of tax	2,398	1,976
Change in unrealized foreign currency translation adjustments, net of tax	90	1,689
End of period	(8,425)	(14,327)
<b>Total stockholders' equity</b>	<b>\$</b>	<b>\$</b>
	<b>783,481</b>	<b>744,839</b>

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

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

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

***Basis of Presentation***

Zenith National Insurance Corp. ("Zenith National") is a Delaware holding company, which is a wholly-owned indirect subsidiary of Fairfax Financial Holdings Limited ("Fairfax"). Fairfax is a Canadian financial services holding company, whose common stock is publicly traded on the Toronto Stock Exchange, and is principally engaged in property and casualty insurance, reinsurance and associated investment management. Zenith National's wholly-owned subsidiaries (primarily Zenith Insurance Company ("Zenith Insurance")), specialize in the Workers' Compensation insurance business, nationally, and 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***

*Internal Use Software - Targeted Improvements*

In September 2025, the FASB issued new guidance on accounting for internal-use software. The amendments in this update require internal-use software development cost capitalization to begin when both of the following occur: management has authorized and committed to funding the software project, and it is probable that the project will be completed and that the software will be used to perform its intended function. The amendments also eliminate the accounting considerations of software development stages. The amendments in this ASU are effective for fiscal years beginning after December 15, 2027. Early adoption is permitted. The guidance is not expected to have a material impact on the Company's consolidated financial position, results of operations, or cash flows.

*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 after 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.

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

**Subsequent Events**

The Company evaluated subsequent events through the date and time that the Consolidated Financial Statements were issued on November 14, 2025.

**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 September 30, 2025 and December 31, 2024 was \$72.4 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 September 30, 2025 and December 31, 2024 were as follows:

(In thousands)	Cost or Amortized Cost	Gross Unrealized		Fair Value (b)
		Gains	(Losses)	
<b>September 30, 2025</b>				
<b>Fair value option investments:</b>				
Fixed maturity securities:				
U.S. government debt	\$ 876,312	\$ 19,815	\$ (370)	\$ 895,757
Foreign government debt	14,821	177		14,998
Corporate debt	40,901	1,192		42,093
<b>Total fixed maturity securities</b>	<b>932,034</b>	<b>21,184</b>	<b>(370)</b>	<b>952,848</b>
Equity securities	292,195	52,425	(40,953)	303,667
Short-term investments	46,801			46,801
Mortgage loans	197,088		(10,183)	186,905
Cost-method partnerships (a)	40,957	7,861	(4,301)	44,517
Affiliate corporate loans (a)	8,041		(375)	7,666
Contingent consideration receivables (a)	21,503		(14,685)	6,818
<b>Total fair value option investments</b>	<b>\$ 1,538,619</b>	<b>\$ 81,470</b>	<b>\$ (70,867)</b>	<b>\$ 1,549,222</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
<b>Total fixed maturity securities</b>	<b>948,679</b>	<b>6,910</b>	<b>(8,893)</b>	<b>946,696</b>
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
<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 receivables.

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

As of September 30, 2025, the Company had commitments to invest an additional \$9.1 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 September 30, 2025 were as follows:

(In thousands)	Fair Value
Due in one year or less	\$ 184,511
Due after one year through five years	579,716
Due after five years through ten years	232,132
Due after ten years	3,290
<b>Total</b>	<b>\$ 999,649</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 September 30, 2025 and December 31, 2024:

(In thousands)	Carrying Value		Carrying Value less Underlying Net Asset Value		Quoted Market Value		Relative Economic Ownership
	September 30,	December 31,	September 30,	December 31,	September 30,	December 31,	September 30,
	2025	2024	2025	2024	2025	2024	2025
<b>Common stock (a)</b>							
Sleep Country Canada Holdings Inc.	\$ 72,624	\$ 70,352					12.5 %
FF Meadow Holdings Limited	50,712	50,973					16.9 %
Fairfax India Holdings Corp.	29,598	29,956	\$ (639)	(b) \$ (617)	(b) \$ 24,172	\$ 22,350	1.0 %
Peak Achievement Athletics	23,411	8,360					5.1 %
Grivalia Hospitality S.A.	12,219	12,325	2,445	(b) 2,486	(b)		1.8 %
Exco Resources Inc.	11,737	11,217	(1,230)	(b) (1,230)	(b)		1.3 %
Astarta Holdings NV	8,874	7,648	(6,648)	(c) (7,533)	(c) 9,949	7,925	3.3 %
Helios Fairfax Partners Corp.	5,120	6,368	(13,143)	(c) (13,143)	(c) 9,274	8,998	4.3 %
Alberta ULC	4,315	4,224					5.0 %
Boat Rocker Media Inc.		6,076		(9,184)	(c)	2,031	
Farmers Edge				765	(c)		2.5 %
AGT Food Ingredients Inc.				64			2.6 %
Total common stock, at equity	\$ 218,610	\$ 207,499					
<b>Partnerships (a)</b>							
KW-F SBG LP	\$ 5,100	\$ 5,022					5.0 %
Total equity-method investments	\$ 223,710	\$ 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 September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Fixed maturity securities	\$ 10,612	\$ 10,435	\$ 32,013	\$ 31,754
Mortgage loans	3,579	5,141	10,511	15,781
Equity securities	1,393	1,844	6,161	5,109
Short-term investments	350	126	624	441
Other investments	700	524	1,832	1,738
Net income (loss) from equity-method investments (a)	5,538	5,692	(3,536)	4,011
Subtotal	22,172	23,762	47,605	58,834
Investment expenses	2,242	2,016	6,776	7,129
Net investment income	\$ 19,930	\$ 21,746	\$ 40,829	\$ 51,705

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

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Sleep Country Canada Holdings Inc.	\$ 910		\$ 2,890	
Astarta Holdings NV			2,877	\$ 2,561
Exco Resources Inc.	1,002	\$ (125)	484	637
Peak Achievement Athletics	1,930	1,370	360	3,480
Fairfax India Holdings Corp.	2,921	2,656	332	958
Alberta ULC	(79)	43	131	438
KW-F SBG LLC	(25)		(25)	
AGT Food and Ingredients Inc.	(687)		(687)	
Grivalia Hospitality S.A.	(19)	(265)	(703)	(1,415)
Helios Fairfax Partners Corp.	493	(705)	(1,245)	(4,356)
FF Meadow Holdings Limited	(908)		(1,722)	
Boat Rocker Media Inc.		2,718	(6,228)	1,708
Net income (loss) from equity-method investments	\$ 5,538	\$ 5,692	\$ (3,536)	\$ 4,011

**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 September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Gains (losses) from equity-method investments (a)	\$ 585	\$ (2)	\$ 15,744	\$ (955)
Gains (losses) on sales of equity securities	(261)	(11)	3,687	168
Gains (losses) on sales of fixed maturity securities, including short-term investments	(1,377)	90	2,037	(1,841)
Gains from other investments	466	1,634	1,346	3,580
Other losses	(3,635)	(123)	(4,853)	(651)
<b>Net realized gains (losses) on investments</b>	<b>\$ (4,222)</b>	<b>\$ 1,588</b>	<b>\$ 17,961</b>	<b>\$ 301</b>

- (a) Net realized gains from equity-method investments in the nine months ended September 30, 2025 included a dilution gain of \$14.8 million for Peak Achievement Athletics ("PAA"). See Note 5.
- (b) Other losses in the nine months ended September 30, 2025 included a realized loss of \$3.7 million related to an indemnity liability on the reverse acquisition of Boat Rocker Media Inc. ("Boat Rocker"). 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 September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Change in net unrealized gains/losses recognized on fair value option investments	\$ 22,119	\$ 67,591	\$ 36,305	\$ 15,882
Less: Net losses (gains) recognized on fair value option investments sold	3,648	(102)	(297)	859
<b>Change in net unrealized gains/losses recognized on fair value option investments still held at the reporting date</b>	<b>\$ 18,471</b>	<b>\$ 67,693</b>	<b>\$ 36,602</b>	<b>\$ 15,023</b>

At both September 30, 2025 and December 31, 2024, investments with a fair value of approximately \$700 million, were on deposit with regulatory authorities in compliance with insurance company regulations. As of September 30, 2025, the Company had additional qualifying securities with a fair value of approximately \$257 million available for deposit.

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

**Note 3. Derivative Contracts**

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

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

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

(In thousands)	Notional Amount	Cost	Fair Value of Derivative	
			Assets	Liabilities
<b>September 30, 2025</b>				
Foreign exchange forwards	187,143		\$ 2,006	\$ 88
Equity warrants	10,000	\$ 1,823	176	
<b>Total</b>		<b>\$ 1,823</b>	<b>\$ 2,182</b>	<b>\$ 88</b>
<b>December 31, 2024</b>				
Foreign exchange forwards	170,796		\$ 4,970	
Equity warrants	10,000	\$ 1,823	505	
<b>Total</b>		<b>\$ 1,823</b>	<b>\$ 5,475</b>	

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

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
<b>Net gains (losses) on settlements</b>				
Foreign exchange forwards	\$ 585	\$ (1,300)	\$ (3,079)	\$ 343
Equity index put options		(4,821)		(4,821)
CPI-linked derivatives		(3,189)		(5,989)
<b>Total</b>	<b>585</b>	<b>(9,310)</b>	<b>(3,079)</b>	<b>(10,467)</b>
<b>Change in fair value</b>				
Foreign exchange forwards	3,004	(425)	(3,052)	1,984
Equity warrants	105	158	(329)	232
Equity index put options		4,766		2,700
CPI-linked derivatives		3,189		5,989
<b>Total</b>	<b>3,109</b>	<b>7,688</b>	<b>(3,381)</b>	<b>10,905</b>
<b>Net gains (losses) on derivatives</b>				
Foreign exchange forwards	3,589	(1,725)	(6,131)	2,327
Equity warrants	105	158	(329)	232
Equity index put options		(55)		(2,121)
<b>Total net gains (losses) on derivatives</b>	<b>\$ 3,694</b>	<b>\$ (1,622)</b>	<b>\$ (6,460)</b>	<b>\$ 438</b>

As of September 30, 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 value of the Company's Level 1 investments are priced 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 Level 2 investments 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 equity securities and cost-method partnership investments, which are measured at fair value using the underlying net asset value ("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 September 30, 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>September 30, 2025</b>				
<b>Fair value option securities:</b>				
Fixed maturity securities:				
U.S. government debt	\$ 895,757		\$ 895,757	
Foreign government debt	14,998		14,998	
Corporate debt	42,093		42,093	
<b>Total fixed maturity securities</b>	<b>952,848</b>		<b>952,848</b>	
Equity securities (b)(c)	303,667	\$ 127,076		\$ 144,214
Short-term investments	46,801	46,801		
Mortgage loans (d)	186,905			186,905
Cost-method partnerships (b)	44,517			
Affiliate corporate loans	7,666			7,666
Contingent consideration receivable	6,818			6,818
<b>Total fair value option investments</b>	<b>\$ 1,549,222</b>	<b>\$ 173,877</b>	<b>\$ 952,848</b>	<b>\$ 345,603</b>
<b>Derivatives:</b>				
Equity warrants	\$ 176			\$ 176
Foreign exchange forwards	2,006		\$ 2,006	
<b>Total derivative assets</b>	<b>2,182</b>		<b>2,006</b>	<b>176</b>
Foreign exchange forwards	(88)		(88)	
<b>Total derivative liabilities</b>	<b>(88)</b>		<b>(88)</b>	
<b>Net derivatives</b>	<b>\$ 2,094</b>		<b>\$ 1,918</b>	<b>\$ 176</b>
<b>December 31, 2024</b>				
<b>Fair value option securities:</b>				
Fixed maturity securities:				
U.S. government debt	\$ 882,455		\$ 882,455	
State and local government debt				
Foreign government debt	12,326		12,326	
Corporate debt	51,915		43,238	\$ 8,677
<b>Total fixed maturity securities</b>	<b>946,696</b>		<b>938,019</b>	<b>8,677</b>
Equity securities (b)(c)	255,440	\$ 94,263	9,988	119,944
Short-term investments	3,633	3,633		
Mortgage loans (d)	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	
<b>Total derivative assets</b>	<b>\$ 5,475</b>		<b>\$ 4,970</b>	<b>\$ 505</b>

- (a) The fair value amounts presented in the "Total" column are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Balance Sheets.
- (b) As of September 30, 2025 and December 31, 2024, certain common stock investments with a fair value of \$32.4 million and \$31.2 million, respectively, and cost-method partnerships with a fair value of \$44.5 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) Includes fair value option ("FVO") securities that would otherwise be treated as equity method investments, valued using FVO due to irrevocable election.
- (d) As of September 30, 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 June 30, 2025</b>	\$ 130,621	\$ 193,172	\$ 6,457	\$ 11,759	\$ 71	
Purchases	4,099	3,493				
Sales	(3,929)	(9,702)	1,190	(214)		
Realized and unrealized gains/losses included in:						
Net investment income – accretion of discounts			25			
Net realized gains (losses) on investments		(261)			(16)	
Change in net unrealized gains/losses on fair value option investments		3,696	(83)	19	(4,711)	
Net gains on derivatives						105
Transfers into Level 3 (b)		9,988				
<b>Balance as of September 30, 2025</b>	<b>\$ 144,214</b>	<b>\$ 186,905</b>	<b>\$ 7,666</b>	<b>\$ 6,818</b>	<b>\$ 176</b>	
<b>Balance as of December 31, 2024</b>	\$ 8,677	\$ 119,944	\$ 197,495	\$ 6,019	\$ 15,869	\$ 505
Purchases	10,823	9,434	11,593			
Sales	(22,375)	(3,946)	(20,936)	1,190	(634)	
Realized and unrealized gains/losses included in:						
Net investment income – accretion of discounts			147			
Net realized gains (losses) on investments	6,214	(259)	(103)		(71)	
Change in net unrealized gains/losses on fair value option investments	(3,339)	9,053	(1,291)	457	(8,346)	
Net losses on derivatives						(329)
Transfers into Level 3 (b)		9,988				
<b>Balance as of September 30, 2025</b>	<b>\$ 144,214</b>	<b>\$ 186,905</b>	<b>\$ 7,666</b>	<b>\$ 6,818</b>	<b>\$ 176</b>	

  

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

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

(b) Transfers into Level 3 in 2025 was due to a change in observable market data for a preferred stock investment.

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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 both the three and nine months ended September 30, 2025 and 2024, investment management expenses incurred under these agreements were \$1.3 million and \$3.9 million and \$1.1 million and \$3.7 million, respectively.

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 net realized gain of \$3.9 million. 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 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.

The Company's affiliated investments as of September 30, 2025 and December 31, 2024 were as follows:

(In thousands)	September 30, 2025	December 31, 2024
Equity securities, at fair value	\$ 152,937	\$ 139,699
Equity-method investments	223,710	212,521
Other investments:		
Partnerships, at fair value	2,710	1,410
Affiliate corporate loans, at fair value	7,667	6,019
<b>Total affiliated investment assets</b>	<b>\$ 387,024</b>	<b>\$ 359,649</b>
Other liabilities – indemnity liabilities	\$ (11,198)	\$ (7,772)

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

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
<b>Included in net income, before tax</b>				
Net investment income	\$ 6,727	\$ 7,424	\$ 620	\$ 8,553
Net realized gains (losses) on investments	(3,352)	728	10,572	156
Change in net unrealized gains/losses on fair value option investments	7,965	40,195	9,213	22,724
<b>Included in other comprehensive income, before tax:</b>				
Change in unrealized gains/losses on investments, before tax	1,856	1,581	3,036	2,501
Change in unrealized foreign currency translation adjustments, before tax	11,434	3,034	115	2,138
Included in total comprehensive income, before tax:	\$ 24,630	\$ 52,962	\$ 23,556	\$ 36,072

In March 2025, Recipe Unlimited Corp ("Recipe") repurchased and cancelled its common shares not owned by Fairfax, resulting in Recipe becoming a wholly owned subsidiary of Fairfax. Although the Company did not participate in the repurchase, its ownership interest increased slightly due to the reduction in outstanding shares. In September 2025, Recipe distributed its investment in the common stock of Keg Restaurants Ltd. ("Keg") to its shareholders through a return of capital transaction. As part of this transaction, the Company received 5.5 million common shares of Keg, with a fair value of \$3.9 million at the distribution date and reduced the carrying amount of its investment in Recipe accordingly. The Company continues to account for its investment in Recipe under the fair value option. As of September 30, 2025, and December 31, 2024, the carrying value of the Company's fair value option investment in Recipe common stock was \$29.2 million and \$27.1 million, respectively. The Company's investment in Keg is carried at cost as of September 30, 2025, which approximates fair value.

In September 2025, HWIC Asia Fund J ("HWIC J"), a wholly-owned subsidiary of Fairfax and an affiliate of the Company, made a cash distribution of \$1.2 million to the Company, which was recorded as a return of capital. As of September 30, 2025, and December 31, 2024, the carrying value of the Company's investment in HWIC J was \$17.5 million and \$14.7 million, respectively.

In August 2025, Blue Ant Media Inc. ("Blue Ant") became a public company via reverse take-over of Boat Rocker, pursuant to which Boat Rocker acquired all shares Blue Ant by exchanging 1.25 Boat Rocker shares for each share of Blue Ant. Concurrently, Boat Rocker sold certain of its production and distribution assets to a privately owned company controlled by certain members of Boat Rocker's management. Upon closing, Boat Rocker was renamed Blue Ant Media Corporation ("Blue Ant Media") trading on the Toronto Stock Exchange under the ticker "BAMI." Following the transaction, Fairfax deconsolidated the assets and liabilities of Blue Ant Media, and recorded its minor retained interest in Blue Ant Media under the fair value option. As a net result of this transaction, the Company received 503,565 Blue Ant Media shares, with the cost of \$3.2 million equal to the fair value of the common stock received at closing, and recognized a realized loss of \$0.9 million on the disposition of its investment in Boat Rocker. In addition, Fairfax made certain financial and operational commitments to Blue Ant. As a result, for its share of the commitments the Company recorded an indemnity liability ("Boat Rocker Indemnity") of \$3.7 million at estimated fair value, with a corresponding realized loss.

In April 2021, Fairfax signed an amendment agreement in relation to the original sale of Apple Bidco Limited to Atlas Corp. (hereinafter "Poseidon"), both affiliates of the Company and Fairfax, to potentially compensate Poseidon for certain amounts and balances acquired in the transaction, and both Fairfax and the Company recorded a liability for the proportional estimated amount due, at fair value ("AB Indemnity"). In the nine months ended September 30, 2025 and 2024, the Company paid \$1.5 million and \$5.3 million, respectively, to Poseidon and recorded additional net realized losses of \$1.2 million and \$0.5 million, respectively, related to the AB Indemnity losses. As of September 30, 2025 and December 31, 2024, the carrying value of the AB Indemnity was \$7.5 million and \$7.8 million, respectively. In the nine months ended September 30, 2025, the Company also recorded earned dividends from Poseidon of \$2.1 million.

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

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simultaneously with this transaction. The Company's share of the acquisition consisted of \$5.0 million of redeemable preferred stock of Blizzard, for which the Company elected to use the fair value option of accounting. Dividends earned from this preferred stock investment are deemed to be re-invested into the principal. In the nine months ended September 30, 2025 the Company recorded earned dividends of \$0.5 million, increasing the book value of its preferred stock investment in Blizzard. As of September 30, 2025, the carrying value of the Company's investment in Blizzard was \$5.5 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, for purchase consideration comprised of new non-recourse borrowings (by a newly formed purchasing entity, which amalgamated with PAA upon close), existing equity interest in PAA at fair value and cash. In the first quarter of 2025, upon receipt of PAA's acquisition balance sheet and PAA's post-acquisition financial statements, the Company recognized the dilution gain of \$14.8 million for its proportional share of the new entity's remeasured equity. In August 2024, PAA made a cash distribution to its shareholders. The Company's share of the cash distribution was \$4.0 million, which was recorded as a reduction to the carrying value of its equity-method investment. As of September 30, 2025 and December 31, 2024, the carrying value of the Company's equity-method investment in PAA common stock was \$23.4 million and \$8.4 million, respectively.

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 September 30, 2025 and December 31, 2024, the carrying value of the Company's investment in SBG LP remained at cost.

In July 2024, Fairfax announced acquisition, through its subsidiaries, of all issued and outstanding common shares of Sleep Country Canada Holdings Inc. ("Sleep Country") for Cdn\$35.00 in cash per common share. This transaction closed on October 1, 2024. Sleep Country became an affiliate of Fairfax and the Company simultaneously with this acquisition, and the Company accounted for its investment in Sleep Country using equity-method accounting. The Company's share of this acquisition was \$70.5 million (Cdn\$95.0 million). On September 26, 2024, the Company transferred Cdn\$95.0 million in cash into an escrow account to facilitate due diligence, transfer agency and legal requirements for closing the transaction. Cash held in escrow was recorded as a restricted cash component of cash and cash equivalents on the Consolidated Balance Sheet as of September 30, 2024. As of September 30, 2025 and December 31, 2024, the carrying value of the Company's investment in Sleep Country was \$72.6 million and \$70.4 million, respectively.

In August 2024, Prime One Capital ("Prime One") and Fairfax affiliates, including the Company, completed a privatization transaction via a tender offer to acquire all the outstanding shares of Ovostar Union Public Company ("Ovostar"), an affiliate of Fairfax and the Company not already owned by the Fairfax and Prime One. As a result, Ovostar shares were delisted from the Warsaw Stock Exchange. The Company elected the fair value option accounting for its investment in Ovostar. As of September 30, 2025 and December 31, 2024 the carrying value of this investment was \$11.6 million and \$10.2 million, respectively.

In March 2024, Fairfax, through its subsidiaries, completed the 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 September 30, 2025 and December 31, 2024, the carrying value of the Company's equity-method investment in FE common stock was zero.

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 of accounting for its investment in Waterous LP. As of September 30, 2025 and December 31, 2024, the carrying value of this investment was \$2.7 million and \$1.2 million, respectively.

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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, first effective May 1, 2021 and have been renewed annually, under which Allied cedes to the Company a portion of its global professional and medical liability business under quota share and excess of loss reinsurance contracts on a risk-attaching basis. Effective July 1, 2022, the Company also entered into a risk-attaching quota share agreement that has been renewed annually, under which Allied cedes a portion of its cyber business to the Company.

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 to the Company 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 premiums and losses associated with excess workers' compensation policies fronted by C&F for Zenith Insurance 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)	September 30, 2025	December 31, 2024
<b>Assets:</b>		
Premiums receivable	\$ 21,316	\$ 12,551
Deferred policy acquisition costs	9,109	7,378
Funds withheld	1,672	1,672
<b>Liabilities:</b>		
Losses and loss adjustment expenses reserves	(72,137)	(55,798)
Unearned premiums	(28,321)	(20,256)
Reinsurance payable on paid losses and loss adjustment expenses	(4,953)	(4,517)
Contingent commissions payable	(344)	(119)

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

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
<b>Revenues:</b>				
Net premium earned	\$ 19,169	\$ 10,873	\$ 44,463	\$ 32,246
<b>Expenses:</b>				
Policy acquisition costs	5,318	4,133	14,232	12,004
Losses and loss adjustment expenses incurred	9,547	6,717	26,183	18,122

*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 September 30, 2025 and December 31, 2024, the Company recorded net receivable from reinsurers of \$1.6 million and \$0.8 million, respectively, related to the reinsurance transactions with affiliates of Fairfax. In the three and nine months ended September 30, 2025, the

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Company recorded \$1.4 million and \$3.9 million, respectively, of ceded premium earned, net of ceded commissions from affiliates, compared to \$1.0 million and \$2.9 million, respectively, for the same periods of 2024.

*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 for RiverStone was \$1.6 million and \$5.0 million for the three and nine months ended September 30, 2025, respectively, compared to \$1.7 million and \$5.2 million, respectively, for the same period of 2024 and for Seneca approximately \$21,000 and \$25,000 for the three and nine months ended September 30, 2025 compared to approximately \$23,000 and \$50,000 for the same period of 2024. As of September 30, 2025 and December 31, 2024, the Company recorded a net liability of \$5.4 million and \$5.2 million, respectively, to RiverStone comprised of a loss fund held for RiverStone claims of \$6.0 million and \$5.7 million, respectively, offset by service fee receivables from RiverStone of \$0.5 million for both periods. As of September 30, 2025 and December 31, 2024, the loss fund held for Seneca claims was \$0.4 million.

*Other*

In the nine months ended September 30, 2024, Zenith Insurance paid ordinary cash dividends of \$105.0 million to Zenith National, and in turn Zenith National paid ordinary cash dividends of \$100.0 million to Fairfax affiliates. No dividends were paid in the three and nine months ended September 30, 2025. 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.

In October 2025, Zenith Insurance filed a notice with California DOI to pay ordinary cash dividends of \$53.0 million to Zenith National in November 2025. Concurrently, Zenith National declared cash dividends of \$53.0 million to Fairfax affiliates to be paid in November 2025.

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**Note 6. Reinsurance Recoverable**

Amounts recoverable for paid and unpaid losses from reinsurers as of September 30, 2025 and December 31, 2024, and their respective A.M. Best ratings were as follows:

(In thousands)	September 30, 2025	December 31, 2024	A.M. Best Rating (b)	A.M. Best Rating Date
General Reinsurance Company	\$ 22,248	\$ 29,012	A++	11-2024
Hannover Rueck SE	10,038	7,014	A+	12-2024
Partner Reinsurance Company	10,027	6,996	A+	02-2025
Zenith Insurance 2019 California AG IC 1 LLC (a)	5,314	3,525	NR	
Transatlantic Reinsurance Company	3,776	3,214	A++	02-2025
Odyssey Reinsurance Company (c)	3,168	2,381	A+	07-2025
Axis Reinsurance Company	3,002	2,518	A	08-2025
Chaucer Ins Co Designated Activity Co	2,650	2,268	A	11-2024
Factory Mutual Insurance Company	2,002	1,698	A+	02-2025
Allied World Assurance Company Ltd (c)	1,888	1,066	A+	05-2025
All others (a)(d)	2,002	2,634		
<b>Total</b>	<b>\$ 66,115</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) Odyssey Reinsurance Company and Allied World Assurance Company are both affiliates of Fairfax and the Company. See Note 5 for additional information.
- (d) No individual reinsurer in excess of \$1.2 million as of September 30, 2025 and December 31, 2024.

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

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

(In thousands)	Nine Months Ended September 30,	
	2025	2024
Beginning of period, net of reinsurance	\$ 985,411	\$ 999,781
Incurred claims:		
Current accident year	357,137	338,049
Prior accident years	(4,675)	(28,916)
<b>Total incurred claims</b>	<b>352,462</b>	<b>309,133</b>
Payments:		
Current accident year	(90,256)	(100,153)
Prior accident years	(232,674)	(228,317)
<b>Total payments</b>	<b>(322,930)</b>	<b>(328,470)</b>
End of period, net of reinsurance	1,014,943	980,444
Receivable from reinsurers for unpaid losses	45,415	55,707
<b>End of period, gross of reinsurance</b>	<b>\$ 1,060,358</b>	<b>\$ 1,036,151</b>

The net favorable development of \$4.7 million in the nine months ended September 30, 2025 was primarily attributable to Workers' Compensation net favorable loss development, partially offset by net adverse development in Agribusiness P&C. Net favorable development in the Workers' Compensation business was primarily due to favorable development for accident years 2019 and prior, partially offset by adverse

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development for accident years 2022 through 2024. Net adverse development in Agribusiness P&C was primarily due to adverse development for accident years 2019 and prior, partially offset by favorable development for accident years 2023 and 2024.

The net favorable development of \$28.9 million in the nine months ended September 30, 2024 was primarily attributable to favorable development in Workers' Compensation business, mainly for accident years 2021 through 2023, and years prior to 2015, partially offset by adverse development in Agribusiness P&C, mainly for accident year 2019.

**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	(48,578)
Vested	(121,378)
Purchased and available for future grants	(4,483)
Available for future purchases as of September 30, 2025	325,561

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 2023	165,111	\$ 451.04	\$ 74,471
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 Shares	Weighted Average Grant Date Fair Value Per Share	Grant Date Fair Value
<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	2,723	1,449.82	3,948
Forfeited during 2025	(113)	584.57	(66)
Vested during 2025	(14,994)	471.77	(7,074)
<b>Restricted Shares as of September 30, 2025</b>	48,578	618.28	\$ 30,035

In the three and nine months ended September 30, 2025, stock-based compensation expense before tax was \$2.8 million and \$6.9 million, respectively, compared to \$1.7 million and \$4.6 million for the same periods of 2024.

As of September 30, 2025 and December 31, 2024, unrecognized compensation expense before tax under the Restricted Stock Plan was \$12.8 million and \$16.1 million, respectively.

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**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.