

Zenith National Insurance Corp. and Subsidiaries

Consolidated Financial Statements
as of March 31, 2026 and December 31, 2025 and for the three months
ended March 31, 2026 and 2025
(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, 2026	December 31, 2025
Assets:		
Investments:		
Fixed maturity securities, at fair value (amortized cost \$1,003,331 in 2026 and \$930,446 in 2025)	\$ 1,015,972	\$ 951,122
Equity securities, at fair value (cost \$279,001 in 2026 and \$285,808 in 2025)	327,564	307,097
Equity-method investments	268,653	232,775
Mortgage loans, at fair value (amortized cost \$166,703 in 2026 and \$198,316 in 2025)	150,544	181,282
Other investments, at fair value (cost \$59,516 in 2026 and \$67,955 in 2025)	49,934	60,489
Short-term investments, at fair value which approximates cost	5,136	9,358
Derivative assets, at fair value (cost \$1,823 in 2026 and \$1,823 2025)	4,060	391
Total investments	1,821,863	1,742,514
Cash and cash equivalents	62,671	84,370
Accrued investment income	10,053	10,063
Premiums receivable	83,466	76,618
Earned but unbilled premium receivable		1,619
Reinsurance recoverables	74,723	68,483
Deferred policy acquisition costs	30,342	28,042
Deferred tax asset	63,603	65,231
Income tax receivable		115
Operating lease right-of-use assets	34,000	35,397
Goodwill	20,985	20,985
Other assets	49,786	53,954
Total assets	\$ 2,251,492	\$ 2,187,391
Liabilities:		
Unpaid losses and loss adjustment expenses	\$ 1,104,508	\$ 1,077,994
Unearned premiums	167,845	150,200
Policyholders dividends accrued	23,410	23,904
Long-term debt	38,433	38,426
Income tax payable	2,697	
Operating lease liabilities	35,929	37,160
Derivative liabilities		2,295
Other liabilities	113,451	116,464
Total liabilities	1,486,273	1,446,443
Commitments and contingencies (see Note 9)		
Stockholders' equity:		
Common stock, \$1 par value, 40 authorized shares; 39 shares issued and outstanding	39	39
Additional paid-in capital	402,469	400,635
Retained earnings	371,815	350,683
Accumulated other comprehensive loss	(9,104)	(10,409)
Total stockholders' equity	765,219	740,948
Total liabilities and stockholders' equity	\$ 2,251,492	\$ 2,187,391

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 March 31,	
	2026	2025
Revenues:		
Net premiums earned	\$ 193,705	\$ 174,101
Net investment income	17,734	8,548
Net realized gains (losses) on investments	(2,657)	22,703
Change in net unrealized gains/losses on fair value option investments	17,998	9,054
Net gains (losses) on derivatives	4,388	(352)
Service fee revenue	2,693	2,817
Total revenues	233,861	216,871
Expenses:		
Losses and loss adjustment expenses incurred	127,005	110,502
Underwriting and other operating expenses:		
Policyholder acquisition costs	42,698	38,872
Underwriting and other costs	34,172	37,019
Policyholders dividends	1,956	2,550
Interest expense	830	830
Total expenses	206,661	189,773
Income before tax	27,200	27,098
Current tax expense	4,787	4,287
Deferred tax expense	1,281	2,088
Total income tax expense	6,068	6,375
Net income	\$ 21,132	\$ 20,723
Change in unrealized gains/losses on investments, net of tax	1,523	688
Change in unrealized foreign currency translation adjustments, net of tax	(218)	(8,273)
Other comprehensive income (loss)	1,305	(7,585)
Total comprehensive income	\$ 22,437	\$ 13,138

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,	
	2026	2025
Cash flows from operating activities:		
Premiums collected, net of reinsurance	\$ 206,525	\$ 186,942
Investment income received	11,207	10,212
Losses and loss adjustment expenses paid, net of reinsurance	(105,227)	(108,851)
Underwriting and other operating expenses paid	(78,689)	(86,617)
Interest paid	(1,646)	(1,646)
Income taxes paid	(1,976)	(14,432)
Net cash provided by (used in) operating activities	30,194	(14,392)
Cash flows from investing activities:		
Purchases of investments:		
Fixed maturity securities - fair value option	(179,634)	(21,223)
Equity securities - fair value option	(12,563)	(5,230)
Equity-method investments	(3,452)	(43)
Mortgage loans	(1,643)	(3,359)
Other investments	(1,109)	(108)
Derivatives	(212)	
Proceeds from maturities and redemptions of investments:		
Fixed maturity securities - fair value option	57,226	
Proceeds from sales of investments:		
Fixed maturity securities - fair value option	53,973	5,798
Equity securities - fair value option	18,299	11,948
Equity-method investments	3,556	
Mortgage loans	11,480	10,498
Other investments	1,668	560
Net decrease in short-term investments	2,504	521
Net derivative cash settlements	(1,550)	4,262
Capital expenditures and other	(325)	(984)
Net cash provided by (used in) investing activities	(51,782)	2,640
Cash flows from financing activities:		
Purchase of shares for restricted stock awards	(111)	(105)
Net cash used in financing activities	(111)	(105)
Net decrease in cash and cash equivalents	(21,699)	(11,857)
Cash and cash equivalents at beginning of period	84,370	50,623
Cash and cash equivalents at end of period	\$ 62,671	\$ 38,766

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,	
	2026	2025
Reconciliation of net income to net cash provided by (used in) operating activities:		
Net income	\$ 21,132	\$ 20,723
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expense	507	524
Net accretion	(2,470)	(2,783)
Net realized losses (gains) on investments	2,657	(22,703)
Change in net unrealized gains/losses on fair value option investments	(17,998)	(9,054)
Net losses (gains) on derivatives	(4,388)	352
Equity in losses (earnings) of investee	(3,752)	6,025
Stock-based compensation expense	1,945	2,425
Decrease (increase) in:		
Accrued investment income	10	168
Premiums receivable	(7,454)	(4,788)
Reinsurance recoverables	(6,240)	(2,846)
Deferred policy acquisition costs	(2,300)	(2,004)
Net income taxes	4,091	(8,058)
Increase (decrease) in:		
Unpaid losses and loss adjustment expenses	26,514	5,363
Unearned premiums	17,645	17,224
Policyholders dividends accrued	(494)	(647)
Accrued expenses	(6,048)	(8,353)
Interest payable	(823)	(823)
Prepaid policy and guarantee fund assessments	4,252	(3,971)
Other	3,408	(1,166)
Net cash provided by (used in) operating activities	\$ 30,194	\$ (14,392)

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,	
	2026	2025
Common stock:	\$	\$
	39	39
Additional paid-in capital:		
Beginning of period	400,635	397,429
Stock-based compensation expense	1,945	2,425
Purchases of shares for restricted stock awards	(111)	(105)
End of period	402,469	399,749
Retained earnings:		
Beginning of period	350,683	336,568
Net income	21,132	20,723
End of period	371,815	357,291
Accumulated other comprehensive loss:		
Beginning of period	(10,409)	(10,913)
Change in unrealized gains/losses on investments, net of tax	1,523	688
Change in unrealized foreign currency translation adjustments, net of tax	(218)	(8,273)
End of period	(9,104)	(18,498)
Total stockholders' equity	\$	\$
	765,219	738,581

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, 2025.

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.

Subsequent Events

The Company evaluated subsequent events through the date and time that the Consolidated Financial Statements were issued on May 15, 2026.

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, 2026 and December 31, 2025 was \$55.2 million and \$83.6 million, respectively.

The cost or amortized cost and fair value of investments recorded at fair value under the fair value option ("FVO") in the Consolidated Balance Sheets as of March 31, 2026 and December 31, 2025 were as follows:

(In thousands)	Cost or Amortized Cost	Gross Unrealized		Fair Value (a)
		Gains	(Losses)	
March 31, 2026				
Fixed maturity securities:				
U.S. government debt	\$ 958,596	\$ 12,848	\$ (1,074)	\$ 970,370
Foreign government debt	14,967	301		15,268
Corporate debt	29,768	566		30,334
Total fixed maturity securities	1,003,331	13,715	(1,074)	1,015,972
Equity securities	279,001	101,378	(52,815)	327,564
Short-term investments	5,136			5,136
Mortgage loans (b)	166,703		(16,159)	150,544
Partnerships and LLCs (c)	39,290	8,889	(1,122)	47,057
Contingent consideration receivables (c)	20,226		(17,349)	2,877
Total fair value option investments	\$ 1,513,687	\$ 123,982	\$ (88,519)	\$ 1,549,150
December 31, 2025				
Fixed maturity securities:				
U.S. government debt	\$ 884,441	\$ 20,500	\$ (398)	\$ 904,543
Foreign government debt	14,890		(273)	14,617
Corporate debt	31,115	847		31,962
Total fixed maturity securities	930,446	21,347	(671)	951,122
Equity securities	285,808	72,833	(51,544)	307,097
Short-term investments	9,358			9,358
Mortgage loans (b)	198,316		(17,034)	181,282
Partnerships and LLCs (c)	38,674	8,794	(1,787)	45,681
Affiliate corporate loans (c)	8,042		(52)	7,990
Contingent consideration receivables (c)	21,239		(14,421)	6,818
Total fair value option investments	\$ 1,491,883	\$ 102,974	\$ (85,509)	\$ 1,509,348

(a) For additional disclosures regarding methods and assumptions used in estimating fair value, see Note 4, Fair Value Measurements.

(b) As of March 31, 2026, the Company had three mortgage loans that were over 90 days past due, with a combined fair value of \$21.7 million and there was a difference of \$5.4 million between their aggregate fair value and aggregate unpaid principal balance. No loan was under non-accrual status as of March 31, 2026.

As of December 31, 2025, the Company had two mortgage loans that were over 90 days past due, with a combined fair value of \$28.9 million and there was a difference of \$0.9 million between their aggregate fair value and aggregate unpaid principal balance. Additionally, the company had one commercial loan with a fair value of \$21.1 million in non-accrual status as of December 31, 2025. See Note 5, Related Party Transactions, for more details.

(c) Other investments in the Consolidated Balance Sheets consist of partnerships, limited liability companies ("LLCs"), affiliate corporate loans and contingent consideration receivables. For additional disclosures regarding methods and assumptions used in estimating fair value, see Note 4, Fair Value Measurements.

Fixed maturity securities, including short-term investments, by contractual maturity as of March 31, 2026 were as follows:

(In thousands)	Fair Value
Due in one year or less	\$ 28,083
Due after one year through five years	971,513
Due after five years through ten years	18,309
Due after ten years	3,203
Total	\$ 1,021,108

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

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

As of March 31, 2026, the Company had commitments to invest an additional \$7.6 million in partnerships and LLCs.

The following table sets forth additional information for the Company's equity-method investments as well as investments that would have been accounted for under the equity-method, absent the fair value option election as of March 31, 2026 and December 31, 2025. These investments are considered related party investments for the Company as the underlying entities are affiliates of Fairfax and the Company. See Note 5, Related Party Transactions, for more information.

(In thousands)	Carrying Value		Carrying Value less Underlying Net Asset Value		Quoted Market Value		Relative Economic Ownership
	March 31,	December 31,	March 31,	December 31,	March 31,	December 31,	March 31,
	2026	2025	2026	2025	2026	2025	2026
Equity-method investments *							
Common stock							
Sleep Country Canada Holdings Inc.	\$ 76,314	\$ 73,281					12.5%
FF Meadow Holdings Limited	48,631	50,712					16.9%
Fairfax India Holdings Corp.	31,720	28,602	\$ (664) (a)	\$ (639) (a)	\$ 22,646	\$ 23,875	1.1%
Peak Achievement Athletics	20,867	23,920	(2,604) (b)				5.1%
Exco Resources Inc.	13,354	12,622	(1,230) (a)	(1,230) (a)			1.3%
Grivalia Hospitality S.A.	11,889	11,662	2,418 (a)	2,431 (a)			1.8%
AGT Food Ingredients Inc.	9,577						5.3%
Astarta Holdings NV	8,874	8,874	(6,648) (c)	(6,648) (c)	10,647	10,130	3.3%
Helios Fairfax Partners Corp.	6,325	5,537	(13,143) (c)	(13,143) (c)	10,382	6,690	4.3%
Alberta ULC	4,282	4,397					5.0%
KEG Restaurants LTD	3,952	3,929	3,952 (a)				3.0%
Total equity-method common stock	\$ 235,785	\$ 223,536					
Partnerships and LLCs							
KW-F SBG LP	\$ 5,018	\$ 5,035	(17) (a)				5.0%
KWF Multifamily Member LLC	6,704	4,204					5.7%
KW-F CITY CENTER, LLC	21,146						9.3%
Total equity-method partnerships and LLCs	32,868	9,239					
Total equity-method investments	\$ 268,653	\$ 232,775					

(In thousands)	Carrying Value		Relative Economic Ownership
	March 31,	December 31,	March 31,
	2026	2025	2026
Fair value option elected investments **			
Common stock, at fair value			
Poseidon Corp.	\$ 101,988	\$ 72,077	1.2%
Recipe Unlimited Corp.	26,959	27,446	3.0%
HWIC Asia Fund J	17,445	17,459	27.9%
HWIC Asia Fund C	4,884	4,245	19.6%
HWIC Asia Fund H	2,519	4,021	1.5%
Ovostar Union Corp.	9,013	9,346	8.0%
Preferred stock, at fair value			
Atlas Corp.	\$ 9,989	\$ 9,974	3.3%
Blizzard Vacatia Equity Partners LLC	5,166	5,000	1.8%
Partnerships, at fair value			
Waterous Energy Fund III LP	\$ 2,354	\$ 2,081	5.7%

* Investments in equity-method limited partnerships and LLCs 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.

** Represents investments that, absent the FVO election, would have been accounted for under the equity-method.

(a) Represents positive/(negative) goodwill and purchase price adjustments, if any.

(b) Represents dividend distribution received or material events from investee not yet reflected in the underlying net asset value ("NAV"), based on the most recent investee financial statements received.

(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 March 31,	
	2026	2025
Fixed maturity securities	\$ 10,542	\$ 10,603
Mortgage loans	3,114	3,579
Equity securities	1,786	1,817
Short-term investments	190	164
Other investments	728	672
Net income (loss) from equity-method investments (a)	3,752	(6,025)
Subtotal	20,112	10,810
Investment expenses	2,378	2,262
Net investment income	\$ 17,734	\$ 8,548

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

(In thousands)	Three Months Ended March 31,	
	2026	2025
Fairfax India Holdings Corp.	\$ 3,581	\$ (376)
Helios Fairfax Partners Corp.	783	(1,775)
Exco Resources Inc.	700	(184)
Sleep Country Canada Holdings Inc.	414	1,348
Keg Restaurants Ltd	59	
Grivalia Hospitality S.A.	22	(413)
KW-F SBG LLC	(17)	
Alberta ULC	(113)	131
Peak Achievement Athletics	(487)	(1,570)
FF Meadow Holdings Limited	(1,190)	(814)
Boat Rocker Media Inc.		(2,372)
Net income (loss) from equity-method investments	\$ 3,752	\$ (6,025)

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

(In thousands)	Three Months Ended March 31,	
	2026	2025
Equity-method investments (a)	\$ (145)	\$ 15,185
Equity securities (b)	(1,235)	3,948
Fixed maturity securities, including short-term investments	(7)	3,544
Mortgage loans	(726)	
Other investments	1,699	21
Other income (loss)	(2,243)	5
Net realized gains (losses) on investments and other	\$ (2,657)	\$ 22,703

(a) Net realized gains from equity-method investments in the three months ended March 31, 2025 included a dilution gain of \$14.8 million for Peak Achievement Athletics ("PAA"). See Note 5, Related Party Transactions.

(b) 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, Related Party Transactions.

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

(In thousands)	Three Months Ended March 31,	
	2026	2025
Change in net unrealized gains/losses recognized on fair value option investments	\$ 17,998	\$ 9,054
Less: Net losses (gains) recognized on fair value option investments sold	6,253	(6,038)
Change in net unrealized gains/losses recognized on fair value option investments still held at the reporting date	\$ 11,745	\$ 15,092

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

At both March 31, 2026 and December 31, 2025, investments with a fair value of approximately \$700 million, were on deposit with regulatory authorities in compliance with insurance company regulations. As of March 31, 2026, the Company had additional qualifying securities with a fair value of approximately \$298 million available for deposit.

Note 3. Derivative Contracts

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

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

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

(In thousands)	Notional Amount	Cost	Fair Value of Derivative	
			Assets	Liabilities
March 31, 2026				
Foreign exchange forwards	207,573		\$ 3,669	
Equity warrants	10,000	\$ 1,823	\$ 391	
Total		\$ 1,823	\$ 4,060	
December 31, 2025				
Foreign exchange forwards	185,121			\$ 2,295
Equity warrants	10,000	\$ 1,823	\$ 391	
Total		\$ 1,823	\$ 391	\$ 2,295

The net 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 March 31,	
	2026	2025
Net gains (losses) on settlements		
Foreign exchange forwards	\$ (1,364)	\$ 4,262
Equity warrants	(212)	
Total	(1,576)	4,262
Change in fair value		
Foreign exchange forwards	5,964	(4,413)
Equity warrants		(201)
Total	5,964	(4,614)
Net gains (losses) on derivatives		
Foreign exchange forwards	4,600	(151)
Equity warrants	(212)	(201)
Total net gains (losses) on derivatives	\$ 4,388	\$ (352)

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

As of March 31, 2026 and December 31, 2025, counterparties had no amounts pledged for the Company's benefit. Likewise, the Company had no amounts pledged as contractually required collateral to its counterparties for derivative contracts as of those dates.

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 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, 2026 and December 31, 2025 classified by the valuation hierarchy discussed previously:

(In thousands)	Total (a)	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
March 31, 2026				
Fair value option securities:				
Fixed maturity securities:				
U.S. government debt	\$ 970,370		\$ 970,370	
Foreign government debt	15,268		15,268	
Corporate debt	30,334		30,334	
Total fixed maturity securities	1,015,972		1,015,972	
Equity securities (b)(c)	327,564	\$ 126,595		\$ 170,845
Short-term investments	5,136	5,136		
Mortgage loans	150,544			150,544
Partnerships and LLCs (b)	47,057			
Contingent consideration receivable	2,877			2,877
Total fair value option investments	\$ 1,549,150	\$ 131,731	\$ 1,015,972	\$ 324,266
Derivatives:				
Equity warrants	\$ 391			\$ 391
Foreign exchange forwards	3,669		\$ 3,669	
Total derivative assets	\$ 4,060		\$ 3,669	\$ 391
December 31, 2025				
Fair value option securities:				
Fixed maturity securities:				
U.S. government debt	\$ 904,543		\$ 904,543	
Foreign government debt	14,617		14,617	
Corporate debt	31,962		31,962	
Total fixed maturity securities	951,122		951,122	
Equity securities (b)(c)	307,097	\$ 134,010		\$ 142,424
Short-term investments	9,358	9,358		
Mortgage loans	181,282			181,282
Partnerships and LLCs (b)	45,681			
Affiliate corporate loans	7,990			7,990
Contingent consideration receivable	6,818			6,818
Total fair value option investments	\$ 1,509,348	\$ 143,368	\$ 951,122	\$ 338,514
Derivatives:				
Equity warrants	\$ 391			\$ 391
Total derivative assets	\$ 391			\$ 391
Foreign exchange forwards	\$ (2,295)		\$ (2,295)	
Total derivative liabilities	\$ (2,295)		\$ (2,295)	
Net derivatives	\$ (1,904)		\$ (2,295)	\$ 391

- (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, 2026 and December 31, 2025, investments in common stock with a fair value of \$30.1 million and \$30.7 million, respectively, and certain investments in partnerships and LLCs with a fair value of \$47.1 million and \$45.7 million, respectively, are measured using NAV as a practical expedient and are not required to be classified in the fair value hierarchy.
- (c) Includes FVO securities that would otherwise be treated as equity-method investments, valued using FVO due to irrevocable election.

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

(In thousands)	Corporate Debt	Equity Securities (a)	Mortgage Loans	Affiliate Corporate Loans	Contingent Consideration Receivable	Derivatives						
Balance as of December 31, 2025	\$	142,424	\$	181,282	\$	7,990	\$	6,818	\$	391		
Purchases		166		1,713						212		
Sales/Settlements				(32,627)		(9,576)		(949)				
Realized and unrealized gains/losses included in:												
Net investment income – accretion of discounts				27								
Net realized gains (losses) on investments				(726)		1,535		(64)				
Change in net unrealized gains/losses on fair value option investments		28,255		875		51		(2,928)				
Net losses on derivatives										(212)		
Balance as of March 31, 2026	\$	170,845	\$	150,544	\$	2,877	\$	2,877	\$	391		
Balance as of December 31, 2024	\$	8,677	\$	119,944	\$	197,495	\$	6,019	\$	15,869	\$	505
Purchases		10,823		5,000		3,534						
Sales/Settlements		(8,922)		(17)		(10,498)		(420)				
Realized and unrealized gains/losses included in:												
Net investments 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)	
Balance as of March 31, 2025	\$	12,468	\$	126,960	\$	189,425	\$	5,961	\$	15,814	\$	304

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

The following table provides information on the valuation techniques, significant unobservable inputs, range and weighted average for each major category of Level 3 assets measured at fair value on a recurring basis as of March 31, 2026:

(In thousands)	Balance as of March 31, 2026	Valuation Techniques	Significant Unobservable Inputs	Range (Weighted Average) (a)	Effect on fair value if input value is increased (b)
		Estimated NAV	Estimated NAV	N/A	Increase
			Discount rate	10.72% (10.72%)	Decrease
Equity securities	\$ 170,845	Discounted cash flow	Perpetual growth rate	3.00% (3.00%)	Increase
			Credit spread of issuer	4.73% (4.73%)	Decrease
		Market approach	Recent transaction price	N/A	Increase
			Credit spread of issuer	3.37% - 4.02% (3.72%)	Decrease
		Discounted cash flow	Credit spread of issuer	3.50% - 8.00% (4.65%)	Decrease
Mortgage loans	\$ 150,544	Market approach	Appraisal value	N/A	Increase
			Recent transaction price		
Contingent consideration receivables	\$ 2,877	Discounted cash flow	Discount rate	30.10% (30.10%)	Decrease
Derivatives	\$ 391	Market approach	Volatility	36.33% - 39.27% (36.99%)	Decrease

(a) The weighted average of the unobservable inputs was weighted by the relative fair value of the securities to which the inputs were applied.

(b) Decreasing the input value would have the opposite effect on the estimated fair value.

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Note 5. Related Party Transactions

Investments

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 private and public companies and invests in limited partnerships which are affiliates of Fairfax and the Company. Affiliated common stock investments are recorded using equity-method of accounting, unless the fair value option is elected.

As of March 31, 2026 and December 31, 2025, the carrying values of the Company's affiliated investments were as follows, also detailed in Note 2, Investments:

(In thousands)	March 31, 2026	December 31, 2025
Equity-method investments	\$ 268,653	\$ 232,775
Equity securities, at fair value	177,963	149,568
Partnerships, at fair value	2,354	2,081
Affiliate corporate loans, at fair value		7,990
Total investments	\$ 448,970	\$ 392,414
Other liabilities - indemnity liabilities, at fair value		
Boat Rocker Media Inc.	\$ 6,991	\$ 4,727
Apple Bidco Limited	7,524	7,524
Total other liabilities – indemnity liabilities	\$ 14,515	\$ 12,251

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,	
	2026	2025
Included in net income, before tax		
Net investment income (loss)	\$ 5,380	\$ (4,413)
Net realized gains (losses) on investments	(1,083)	15,187
Change in net unrealized gains/losses on fair value option investments	28,854	(1,376)
Included in other comprehensive income (loss), before tax:		
Change in unrealized gains/losses on investments, before tax	1,928	872
Change in unrealized foreign currency translation adjustments, before tax	(276)	(10,472)
Included in total comprehensive income (loss), before tax:	\$ 34,803	\$ (202)

In March 2026, AGT completed its previously announced initial public offering ("IPO") of its common shares. Prior to the IPO, in March 2026, the Company exercised 0.6 million AGT common share warrants, previously purchased for cash consideration of \$0.2 million from Wentworth Insurance Company Ltd., an affiliate of Fairfax and the Company. The warrants were exercised at strike price for total consideration of \$9.6 million and settled through the surrender of AGT corporate loans of equivalent par value. The Company recorded a realized gain of \$1.5 million on settlement. Upon exercise, the Company received 0.6 million AGT Class A common shares, which in addition to the Company's previously owned shares, increased the Company's total investment to 1.1 million of affiliated publicly traded AGT common stock shares, accounted for under the equity-method of accounting.

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In March 2026, the Company's investment in 601 City Center, LLC mortgage loan was restructured, resulting in Fairfax subsidiaries, including the Company, transferring their interest in the loan into a newly formed entity, KW-F City Center, LLC ("KW-FCC"). The initial cost of the Company's investment in KW-FCC was \$21.1 million, which represented the fair value of the Company's interest in the restructured mortgage loan at the time of transfer. As of March 31, 2026, the carrying value of the Company's equity-method investment in KW-FCC remained at cost.

In January 2025, Fairfax, through its subsidiaries, including the Company, acquired a 50.0% interest in Blizzard Vacatia Equity Partners LLC. The Company's share of this investment was \$5.0 million, comprised of redeemable preferred stock which is accounted for under the fair value option.

In December 2024, Fairfax, through its subsidiaries, including the Company, acquired all the outstanding equity interests in PAA in the privatization transaction. In March 2025, the Company recognized a dilution gain of \$14.8 million related to its proportional share in PAA's equity post-acquisition.

In November 2024, certain affiliates of Fairfax, including the Company, formed KW-F SBG LP ("SBG LP") to take ownership of a commercial property that served as collateral on a mortgage loan investment in default. SBG LP is an affiliate of Fairfax and the Company, and the Company accounts for this investment using equity-method of accounting. The initial cost of the Company's investment in SBG LP was \$5.1 million. In January 2025, Fairfax took ownership of the underlying collateral property as settlement of the mortgage loan.

Assumed Reinsurance

The Company has reinsurance agreements with various subsidiaries of Allied World Assurance Company Holdings, Ltd. (collectively "Allied"), an affiliate of Fairfax and the Company, first effective May 1, 2021 and subsequently 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. This agreement was renewed in 2026.

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. This was a one-year arrangement that did not renew.

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

(In thousands)	March 31, 2026	December 31, 2025
Assets:		
Premiums receivable	\$ 19,692	\$ 16,776
Deferred policy acquisition costs	9,507	9,475
Funds withheld	1,672	1,672
Liabilities:		
Losses and loss adjustment expenses reserves	\$ 77,811	\$ 73,084
Unearned premiums	29,551	26,924
Reinsurance payable on paid losses and loss adjustment expenses	7,009	6,692
Contingent commissions payable	352	190

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

(In thousands)	Three Months Ended March 31,	
	2026	2025
Revenues:		
Net premium earned	\$ 15,633	\$ 12,299
Expenses:		
Policy acquisition costs	\$ 5,599	\$ 4,241
Losses and loss adjustment expenses incurred	9,086	9,644

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 2026. As of March 31, 2026 and December 31, 2025, the Company recorded net receivable from reinsurers of \$1.8 million related to the reinsurance transactions with affiliates of Fairfax. In the three months ended March 31, 2026, the Company recorded \$1.4 million of ceded premium earned, net of ceded commissions from affiliates, compared to \$1.2 million for the same period of 2025.

Claims Servicing

The Company is party to Master Administrative Services Agreements with various affiliates of Fairfax. 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., and to RiverStone Group LLC and affiliates, both affiliates of Fairfax and the Company.

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

(In thousands)	March 31,	December 31,
	2026	2025
Liabilities:		
Intercompany payable (a)	\$ 5,786	\$ 6,286

(a) Net intercompany payable is comprised of loss fund held offset by service fee receivable for each of the affiliates.

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

(In thousands)	Three Months Ended March 31,	
	2026	2025
Revenues:		
Service fee revenue	\$ 1,456	\$ 1,782

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Note 6. Reinsurance Recoverable

Amounts recoverable for paid and unpaid losses from reinsurers as of March 31, 2026 and December 31, 2025, and their respective A.M. Best ratings were as follows:

(In thousands)	March 31, 2026 (a)	December 31, 2025 (a)	A.M. Best Rating (b)	A.M. Best Rating Date
General Reinsurance Company	\$ 28,463	\$ 27,389	A++	11-2025
Hannover Rueck SE	9,928	8,509	A+	12-2025
Partner Reinsurance Company	9,911	8,491	A+	02-2026
Zenith Captive Insurance IC 1, LLC	6,390	5,723	NR	
Chaucer Ins Co Designated Activity Co	3,469	2,888	A	11-2025
Odyssey Reinsurance Company (c)	3,392	3,327	A+	07-2025
Axis Reinsurance Company	3,226	2,835	A	08-2025
Transatlantic Reinsurance Company	2,989	3,002	A++	03-2026
Allied World Assurance Company Ltd (c)	2,271	2,032	A+	05-2025
Factory Mutual Insurance Company	1,914	2,087	A+	01-2026
All others (d)	2,770	2,200		
Total	\$ 74,723	\$ 68,483		

- (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, Related Party Transactions, for additional information.
- (d) No individual reinsurer in excess of \$1.1 million and \$0.9 million as of March 31, 2026 and December 31, 2025.

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,	
	2026	2025
Beginning of period, net of reinsurance	\$ 1,028,757	\$ 985,411
Incurred claims:		
Current accident year	129,565	115,948
Prior accident years	(2,560)	(5,446)
Total incurred claims	127,005	110,502
Payments:		
Current accident year	(16,449)	(14,655)
Prior accident years	(87,557)	(90,598)
Total payments	(104,006)	(105,253)
End of period, net of reinsurance	1,051,756	990,660
Receivable from reinsurers for unpaid losses	52,752	42,837
End of period, gross of reinsurance	\$ 1,104,508	\$ 1,033,497

The net favorable development of \$2.6 million in the three months ended March 31, 2026 was primarily attributable to Workers' Compensation net favorable loss development, and marginal net favorable development from Agribusiness P&C. Net favorable development in the Workers' Compensation business was primarily due to favorable development for accident years 2025, 2020, and 2018 and prior, partially offset by adverse development for accident years 2019, 2021 through 2024. Net favorable development in Agribusiness P&C was

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primarily due to favorable development for accident year 2025, partially offset by adverse development for accident years 2021 and 2024.

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.

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	(35,402)
Vested	(136,140)
Purchased and available for future grants	(6,092)
Available for future purchases as of March 31, 2026	322,366

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 2024	174,367	\$ 485.03	\$ 84,572
Purchased in 2025	3,202	1,594.36	5,105
Purchased in 2026	65	1,712.13	111
Total purchased since plan inception	177,634	505.47	\$ 89,788

Changes in the restricted shares outstanding were as follows:

(Dollars in thousands, except share data)	Number of Shares	Weighted Average Grant Date Fair Value Per Share	Grant Date Fair Value
Restricted Shares as of December 31, 2024	60,962	\$ 545.04	\$ 33,227
Granted during 2025	2,967	1,471.45	4,366
Forfeited during 2025	(203)	823.66	(167)
Vested during 2025	(14,994)	471.77	(7,074)
Restricted Shares as of December 31, 2025	48,732	622.82	30,352
Granted during 2026	2,015	1,710.00	3,446
Forfeited during 2026	(583)	1,143.05	(666)
Vested during 2026	(14,762)	468.92	(6,922)
Restricted Shares as of March 31, 2026	35,402	740.31	\$ 26,210

In the three months ended March 31, 2026, stock-based compensation expense before tax was \$1.9 million, respectively, compared to \$2.4 million for the same period of 2025.

As of March 31, 2026 and December 31, 2025, unrecognized compensation expense before tax under the Restricted Stock Plan was \$12.1 million and \$11.7 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.