# Zenith National Insurance Corp. and Subsidiaries

## Consolidated Financial Statements
## as of March 31, 2023 and December 31, 2022 and for the three months ended March 31, 2023 and 2022
## (unaudited)

# Zenith National Insurance Corp. and Subsidiaries
# Consolidated Financial Statements (unaudited)

## Table of Contents

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

| (In thousands, except par value) | | March 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| **Assets:** | | | | |
| Investments: | | | | |
| Fixed maturity securities, at fair value (amortized cost $1,063,012 in 2023 and $954,638 in 2022) | $ | 1,056,248 | $ | 931,231 |
| Equity securities, at fair value (cost $295,251 in 2023 and $334,727 in 2022) | | 319,020 | | 458,775 |
| Short-term investments, at fair value which approximates cost | | 66,612 | | 53,376 |
| Mortgage loans, at fair value which approximates cost | | 162,946 | | 162,019 |
| Other investments | | 178,817 | | 153,081 |
| Derivative assets, at fair value (cost $12,025 in 2023 and $12,957 in 2022) | | 429 | | 2,034 |
| Total investments | | 1,784,072 | | 1,760,516 |
| Cash | | 39,321 | | 37,736 |
| Accrued investment income | | 8,261 | | 5,603 |
| Premiums receivable | | 62,817 | | 56,420 |
| Earned but unbilled premium receivable | | 3,997 | | 3,997 |
| Reinsurance recoverables | | 51,608 | | 52,070 |
| Deferred policy acquisition costs | | 23,469 | | 21,739 |
| Deferred tax asset | | 61,619 | | 42,795 |
| Operating lease right-of-use assets | | 27,767 | | 28,102 |
| Goodwill | | 20,985 | | 20,985 |
| Other assets | | 48,628 | | 53,074 |
| **Total assets** | $ | 2,132,544 | $ | 2,083,037 |
| | | | | |
| **Liabilities:** | | | | |
| Unpaid losses and loss adjustment expenses | $ | 1,044,604 | $ | 1,059,744 |
| Unearned premiums | | 133,132 | | 121,205 |
| Policyholders' dividends accrued | | 32,170 | | 31,514 |
| Long-term debt | | 38,347 | | 38,340 |
| Income tax payable | | 24,865 | | 693 |
| Operating lease liabilities | | 29,436 | | 29,671 |
| Derivative liabilities | | 221 | | |
| Other liabilities | | 88,900 | | 97,264 |
| **Total liabilities** | | 1,391,675 | | 1,378,431 |
| | | | | |
| Commitments and contingencies (see Note 10) | | | | |
| | | | | |
| **Stockholders' equity:** | | | | |
| Common stock, $1 par value, 40 authorized shares; 39 shares issued and outstanding | | 39 | | 39 |
| Additional paid-in capital | | 399,019 | | 397,682 |
| Retained earnings | | 353,804 | | 318,733 |
| Accumulated other comprehensive loss | | (11,993) | | (11,848) |
| **Total stockholders' equity** | | 740,869 | | 704,606 |
| **Total liabilities and stockholders' equity** | $ | 2,132,544 | $ | 2,083,037 |

The accompanying notes are an integral part of these financial statements.

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

| | Three Months Ended March 31, | |
|---|---|---|
| (In thousands) | 2023 | 2022 |
| **Revenues:** | | |
| Net premiums earned | $ 175,518 | $ 170,841 |
| Net investment income | 14,751 | 1,012 |
| Net realized gain (loss) on investments | 111,955 | (2,345) |
| Change in net unrealized gains/losses on fair value option investments | (80,218) | (10,262) |
| Net gain (loss) on derivatives | (128) | 93 |
| Service fee revenue | 2,120 | 1,566 |
| Total revenues | 223,998 | 160,905 |
| **Expenses:** | | |
| Losses and loss adjustment expenses incurred | 102,510 | 93,891 |
| Underwriting and other operating expenses: | | |
| Policyholder acquisition costs | 37,701 | 35,118 |
| Underwriting and other costs | 32,182 | 31,629 |
| Policyholders’ dividends | 4,906 | 4,627 |
| Interest expense | 830 | 830 |
| Total expenses | 178,129 | 166,095 |
| Income (loss) before tax | 45,869 | (5,190) |
| Income tax expense (benefit) | 10,798 | (1,068) |
| **Net income (loss)** | $ 35,071 | $ (4,122) |
| Change in unrealized gains/losses on investments, net of tax | 214 | (32) |
| Change in unrealized foreign currency translation adjustments, net of tax | (359) | 54 |
| **Other comprehensive income (loss)** | (145) | 22 |
| **Total comprehensive income (loss)** | $ 34,926 | $ (4,100) |

The accompanying notes are an integral part of these financial statements.

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

| (In thousands) | Three Months Ended March 31, 2023 | Three Months Ended March 31, 2022 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Premiums collected | $ 187,331 | $ 185,191 |
| Investment income received | 5,177 | 3,830 |
| Losses and loss adjustment expenses paid | (116,104) | (100,754) |
| Underwriting and other operating expenses paid | (80,198) | (81,090) |
| Interest paid | (1,646) | (1,646) |
| Income taxes paid | (5,411) | (6,390) |
| Net cash used in operating activities | (10,851) | (859) |
| **Cash flows from investing activities:** | | |
| Purchases of investments: | | |
| Fixed maturity securities – fair value option | (271,211) | (544,091) |
| Equity securities – fair value option | (26,452) | (4,167) |
| Mortgage loans | (915) | (17,323) |
| Other investments | (9,121) | (5,092) |
| Derivatives | | (4,125) |
| Proceeds from maturities and redemptions of investments: | | |
| Fixed maturity securities – fair value option | 15,151 | 175,150 |
| Proceeds from sales of investments: | | |
| Fixed maturity securities – fair value option | 146,928 | 212,846 |
| Equity securities – fair value option | 169,841 | 198 |
| Mortgage loans | 73 | |
| Other investments | 2,396 | 915 |
| Net (increase) decrease in short-term investments | (11,658) | 128,376 |
| Net derivative cash settlements | 199 | 468 |
| Capital expenditures and other | (2,678) | (838) |
| Net cash provided by (used in) investing activities | 12,553 | (57,683) |
| **Cash flows from financing activities:** | | |
| Purchase of Fairfax shares for restricted stock awards | (117) | (4,123) |
| Net cash used in financing activities | (117) | (4,123) |
| Net increase (decrease) in cash | 1,585 | (62,665) |
| Cash at beginning of period | 37,736 | 104,568 |
| **Cash at end of period** | $ 39,321 | $ 41,903 |

The accompanying notes are an integral part of these financial statements.

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

| | Three Months Ended March 31, | |
|---|---|---|
| (In thousands) | 2023 | 2022 |
| **Reconciliation of net income (loss) to net cash used in operating activities:** | | |
| Net income (loss) | $ 35,071 | $ (4,122) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation expense | 469 | 502 |
| Net (accretion) amortization | (2,616) | 1,870 |
| Net realized loss (gain) on investments | (111,955) | 2,345 |
| Change in net unrealized gains/losses on fair value option investments | 80,218 | 10,262 |
| Net loss (gain) on derivatives | 128 | (93) |
| Equity in (earnings) losses of investee | (3,365) | 1,176 |
| Stock-based compensation expense | 1,454 | 1,899 |
| Decrease (increase) in: | | |
| Accrued investment income | (2,658) | (116) |
| Premiums receivable | (8,614) | (7,941) |
| Reinsurance recoverables | 462 | (3,087) |
| Deferred policy acquisition costs | (1,730) | (2,010) |
| Net income taxes | 5,387 | (7,458) |
| Increase (decrease) in: | | |
| Unpaid losses and loss adjustment expenses | (15,140) | (3,024) |
| Unearned premiums | 11,927 | 15,361 |
| Policyholders’ dividends accrued | 656 | 287 |
| Accrued expenses | (6,121) | (2,813) |
| Interest payable | (823) | (823) |
| Prepaid policy and guarantee fund assessments | 4,473 | (4,188) |
| Other | 1,926 | 1,114 |
| Net cash used in operating activities | $ (10,851) | $ (859) |

The accompanying notes are an integral part of these financial statements.

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

| | Three Months Ended March 31, | |
|---|---|---|
| (In thousands) | 2023 | 2022 |
| **Common stock:** | $ 39 | $ 39 |
| **Additional paid-in capital:** | | |
| Beginning of period | 397,682 | 399,159 |
| Stock-based compensation expense | 1,454 | 1,899 |
| Purchases of Fairfax shares for restricted stock awards | (117) | (4,123) |
| End of period | 399,019 | 396,935 |
| **Retained earnings:** | | |
| Beginning of period | 318,733 | 314,948 |
| Net income (loss) | 35,071 | (4,122) |
| End of period | 353,804 | 310,826 |
| **Accumulated other comprehensive loss:** | | |
| Beginning of period | (11,848) | (9,050) |
| Change in unrealized gains/losses on investments, net of tax | 214 | (32) |
| Change in unrealized foreign currency translation adjustments, net of tax | (359) | 54 |
| End of period | (11,993) | (9,028) |
| **Total stockholders' equity** | $ 740,869 | $ 698,772 |

The accompanying notes are an integral part of these financial statements.

## Note 1. Basis of Presentation and Accounting Policies

### *Basis of Presentation*

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

The accompanying unaudited Consolidated Financial Statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (including normal, recurring adjustments) necessary for a fair presentation of the Company's financial position and results of operations for the periods presented have been included. The results of operations for an interim period are not necessarily indicative of the results for an entire year. For further information, refer to the Audited Consolidated Financial Statements and Notes thereto of the Company for the year ended December 31, 2022.

### *Adopted Accounting Standards*

*Measurement of Credit Losses on Financial Instruments*

Effective January 1, 2023, the Company adopted the new guidance on Financial Instruments – Credit Losses, which provides for the recognition and measurement of all expected credit losses ("CECL") for financial assets that are not recorded under the fair value option method of accounting. All of the Company's debt securities, including fixed maturity securities, short term investments, mortgage loans and affiliated corporate loans included in other investments, are recorded using the fair value option accounting. Therefore, the Company's only financial instruments within the scope of this guidance included accrued investment income, premiums receivable and reinsurance recoverables. The adoption of this guidance did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

The Company concluded that accrued investment income which primarily comprises of accrued interest receivable on debt securities to be excluded from the estimate of credit loses based on historically timely payments. Premiums receivable balances are all due within one year or less. The Company currently determines the allowance for premiums receivable based on an internal aging schedule using collectability and historical payment patterns, as well as current and expected future market conditions to determine the appropriateness of the allowance. Historical payment patterns provide the basis for the estimation along with similar risk characteristics and the Company's business strategy, which have not changed significantly over time. Based on the Company's past experience, the Company's allowance as of December 31, 2022 of $0.3 million was considered sufficient and did not change as of March 31, 2023. In assessing an allowance for reinsurance recoverables for paid and unpaid losses, the Company considers historical information, financial strength of reinsurers, collateralization amounts and ratings to determine the appropriateness of the allowance. Historically, the Company has not experienced a credit loss from reinsurance transactions and most of its reinsurance is recoverable from large, well capitalized reinsurance companies. See Note 6. As of December 31, 2022 and March 31, 2023, no CECL allowance was recorded related to reinsurance recoverables.

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

*Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*

In June 2022, the FASB issued new guidance which clarifies the existing fair value measurement guidance, when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security and introduces new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value. The new standard clarifies that a contractual restriction on the sale of an equity security should not be considered in measuring the fair value of the security and requires an entity holding equity securities with contractual sale restrictions to disclose the fair value of equity securities subject to contractual sale restrictions, the nature and remaining duration of the restrictions and the circumstances that could cause a lapse in the restrictions. The guidance is effective for annual periods beginning after December 15, 2023, and interim periods within those annual periods. Early adoption is permitted. The guidance is not expected to have a material impact on the Company’s consolidated financial position, results of operations or cash flows.

### ***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 March 15, 2023.

## Note 2. Investments

The cost or amortized cost and fair value of investments recorded at fair value under the fair value option as of March 31, 2023 and December 31, 2022 were as follows:

| (In thousands) | Cost or Amortized Cost | Gross Unrealized Gains | Gross Unrealized (Losses) | Fair Value |
|---|---|---|---|---|
| **March 31, 2023** | | | | |
| **Fair value option investments:** | | | | |
| Fixed maturity securities: | | | | |
| U.S. Government debt | $ 1,017,898 | $ 8,086 | $ (16,059) | $ 1,009,925 |
| State and local government debt | 5,024 | 8 | | 5,032 |
| Foreign government debt | 15,815 | | (127) | 15,688 |
| Corporate debt | 24,275 | 1,991 | (663) | 25,603 |
| Total fixed maturity securities | 1,063,012 | 10,085 | (16,849) | 1,056,248 |
| Equity securities | 295,251 | 61,503 | (37,734) | 319,020 |
| Short-term investments | 66,606 | 6 | | 66,612 |
| Mortgage loans | 162,946 | | | 162,946 |
| Other investments – cost-method partnerships | 39,546 | 10,640 | (2,370) | 47,816 |
| Other investments – affiliate corporate loans | 9,322 | | (139) | 9,183 |
| Other investments – contingent consideration receivable | 25,023 | 2,368 | | 27,391 |
| **Total fair value option investments** | $ 1,661,706 | $ 84,602 | $ (57,092) | $ 1,689,216 |
| | | | | |
| **December 31, 2022** | | | | |
| **Fair value option investments:** | | | | |
| Fixed maturity securities: | | | | |
| U.S. Government debt | $ 915,301 | $ 751 | $ (22,115) | $ 893,937 |
| State and local government debt | 5,043 | 12 | | 5,055 |
| Foreign government debt | 15,838 | | (1,001) | 14,837 |
| Corporate debt | 18,456 | 19 | (1,073) | 17,402 |
| Total fixed maturity securities | 954,638 | 782 | (24,189) | 931,231 |
| Equity securities | 334,727 | 160,674 | (36,626) | 458,775 |
| Short-term investments | 53,377 | | (1) | 53,376 |
| Mortgage loans | 162,019 | | | 162,019 |
| Other investments – cost-method partnerships | 36,233 | 8,833 | (2,540) | 42,526 |
| Other investments – affiliate corporate loans | 9,322 | | (409) | 8,913 |
| Other investments – contingent consideration receivable | 14,519 | 1,204 | | 15,723 |
| **Total fair value option investments** | $ 1,564,835 | $ 171,493 | $ (63,765) | $ 1,672,563 |

Fixed maturity securities, including short-term investments, by contractual maturity as of March 31, 2023 were as follows:

| (In thousands) | | Fair Value |
|---|---|---|
| Due in one year or less | $ | 193,390 |
| Due after one year through five years | | 805,568 |
| Due after five years through ten years | | 121,439 |
| Due after ten years | | 2,463 |
| Total | $ | 1,122,860 |

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, 2023 and December 31, 2022, total investments also include other investments detailed next and derivative contracts described in Note 3.

Other investments consisted of the following:

| (In thousands) | | March 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Equity-method common stock (a) | $ | 94,427 | $ | 85,919 |
| Cost-method partnerships, at fair value (cost $39,546 in 2023 and $36,233 in 2022) (b) | | 47,816 | | 42,526 |
| Affiliate corporate loans, at fair value (amortized cost $9,322 in 2023 and 2022) | | 9,183 | | 8,913 |
| Contingent consideration receivable, at fair value (cost $25,023 in 2023 and $14,519 in 2022) (c) | | 27,391 | | 15,723 |
| Total other investments | $ | 178,817 | $ | 153,081 |

(a) Investments in equity-method common stock are recorded at cost, adjusted for subsequent purchases, distributions, other-than-temporary impairments, if any, and the Company’s share of the changes in the investee’s equity since the initial acquisition.

(b) Investments in partnerships and limited liability companies where the Company’s ownership is minor and the Company does not have significant operating or financial influence are recorded at fair value.

(c) The balance as of March 31, 2023 includes $11.8 million of contingent value rights (“CVR”), at fair value, recorded as a result of a sale of a common stock investment, as described in footnote (a) in the table below. The fair value of the CVR was estimated as the difference between cash consideration received and the market price of the common stock immediately prior to the close of the transaction, and was included as part of total sales proceeds.

As of March 31, 2023, the Company had commitments to invest an additional $6.5 million in partnerships and limited liability companies.

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

| | Three Months Ended March 31, | |
|---|---|---|
| (In thousands) | 2023 | 2022 |
| Sales of equity securities (a) | $ 113,231 | $ (52) |
| Sales of fixed maturity securities, including short-term investments and other (b) | (1,998) | (2,837) |
| Gains from other investments | 722 | 544 |
| Net realized gain (loss) on investments | $ 111,955 | $ (2,345) |

(a) Net realized gain on sales of equity securities in the three months ended March 31, 2023 primarily consisted of $113.2 million of a realized gain on sale of a common stock investment, $110.5 million of which was previously recorded in change in net unrealized gains/losses on fair value option investments (see (a) in the table below).

(b) Net realized losses on sales of fixed maturity securities, including short-term investments and other in the three months ended March 31, 2023 primarily included realized losses on sale of U.S. government securities of $2.7 million, partially offset by an additional realized gain of $0.9 million related to Atlas Corp.'s ("Atlas", formerly Seaspan Corporation, or "Seaspan") acquisition of Apple Bidco Limited ("AB") in 2020, both affiliates of Fairfax and the Company. See Note 5.

Net realized losses on sales of fixed maturity securities, including short-term investments and other in the three months ended March 31, 2022 included realized losses of $3.3 million recorded in connection with the indemnity liability related to Atlas acquisition of AB. See Note 5.

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

| | Three Months Ended March 31, | |
|---|---|---|
| (In thousands) | 2023 | 2022 |
| Change in net unrealized gains/losses recognized on fair value option investments | $ (80,218) | $ (10,262) |
| Less: Net loss (gain) recognized on fair value option investments sold (a) | (109,291) | 81 |
| Change in net unrealized gains/losses recognized on fair value option investments still held at the reporting date | $ 29,073 | $ (10,343) |

(a) Net gain recognized on fair value option investments sold primarily consists of $110.5 million cumulative unrealized gains previously recognized through December 31, 2022 on a common stock investment sold in the first quarter of 2023 (see (a) in the table above).

Net investment income was as follows:

| (In thousands) | Three Months Ended March 31, 2023 | Three Months Ended March 31, 2022 |
|---|---|---|
| Fixed maturity securities (a) | $ 7,004 | $ 1,411 |
| Equity securities | 2,031 | 1,107 |
| Short-term and other investments (a) | 3,535 | 358 |
| Mortgage loans | 984 | 1,147 |
| Net income (loss) from equity-method investments (b) | 3,365 | (1,176) |
| Subtotal | 16,919 | 2,847 |
| Investment expenses | 2,168 | 1,835 |
| Net investment income | $ 14,751 | $ 1,012 |

(a) During 2022 and in the first quarter of 2023, the company used existing cash and the proceeds from sales and maturities of short-dated fixed maturity securities to principally purchase short-dated U.S. treasury bonds (with the term to maturity of 1 to 3 years), short-dated high quality corporate bonds and first mortgage loans, resulting in an increase in interest income in 2023.

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

| (In thousands) | Three Months Ended March 31, 2023 | Three Months Ended March 31, 2022 |
|---|---|---|
| Exco Resources Inc. | $ 1,781 | $ 1,000 |
| Fairfax India Holdings Corp. | 946 | (1,178) |
| Helios Fairfax Partners Corp. | 748 | (53) |
| Boat Rocker Media Inc. | 189 | (477) |
| Alberta ULC | 22 | 44 |
| Grivalia Hospitality S.A | (8) | |
| Peak Achievement Athletics | (58) | (157) |
| Farmers Edge Inc. | (255) | (555) |
| AGT Food & Ingredients Inc. | | 200 |
| Income (loss) from equity-method investments | $ 3,365 | $ (1,176) |

As of March 31, 2023 and December 31, 2022, investments with a fair value of approximately $800 million, respectively, were on deposit with regulatory authorities in compliance with insurance company regulations. As of March 31, 2023, the Company had additional qualifying securities with a fair value of $243 million available for deposit.

## Note 3. Derivative Contracts

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

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

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

| (In thousands) | Notional Amount | Cost | Fair Value of Derivative Assets | Fair Value of Derivative Liabilities |
|---|---|---|---|---|
| **March 31, 2023** | | | | |
| CPI-linked derivatives | $ 3,073,224 | $ 11,191 | | |
| Foreign exchange forwards | 92,544 | | | $ 221 |
| Equity warrants | 5,000 | 834 | $ 429 | |
| Total | | $ 12,025 | $ 429 | $ 221 |
| **December 31, 2022** | | | | |
| CPI-linked derivatives | $ 3,263,624 | $ 11,991 | $ 1 | |
| Foreign exchange forwards | 82,660 | | 155 | |
| Equity warrants (a) | 13,527 | 966 | 1,878 | |
| Total | | $ 12,957 | $ 2,034 | |

(a) As of December 31, 2022, equity warrants included 0.7 million shares of Atlas common stock warrants, that were exercised in January 2023 for a payment of $8.5 million. See Note 5.

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

| | Three Months Ended March 31, | |
|---|---|---|
| (In thousands) | 2023 | 2022 |
| **Net gain on settlements** | | |
| Equity warrants | $ 1,367 | |
| CPI-linked derivatives | (799) | |
| Foreign exchange forwards | 198 | $ 468 |
| Total | 766 | 468 |
| **Change in fair value** | | |
| Equity warrants | (1,317) | 974 |
| CPI-linked derivatives | 799 | 28 |
| Foreign exchange forwards | (376) | (1,377) |
| Total | (894) | (375) |
| **Net gain (loss) on derivatives** | | |
| Equity warrants | 50 | 974 |
| CPI-linked derivatives | | 28 |
| Foreign exchange forwards | (178) | (909) |
| Total net gain (loss) on derivatives | $ (128) | $ 93 |

As of March 31, 2023 and December 31, 2022, the Company had no amounts pledged to its counterparties for derivative transactions and there were no amounts pledged by the counterparties for the Company's benefit.

**Note 4. Fair Value Measurements**

Fair values for substantially all of the Company's financial instruments are measured using market or income approaches. Considerable judgment may be required in interpreting market data used to develop estimates of fair value. Accordingly, actual values realized in future market transactions may differ from the estimates presented in these consolidated financial statements. In determining fair value, the Company primarily uses prices and other relevant information generated by market transactions involving identical or comparable assets ("market approach"). The Company also considers the impact of a significant decrease in volume and level of activity for an asset or liability when compared with normal activity to identify transactions that are not orderly.

Fair value measurements are determined under a three level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, distinguishing between market participant assumptions developed based on market data obtained from sources independent of the reporting entity ("observable inputs") and the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances ("unobservable inputs"). The hierarchy level assigned to each security carried at fair value is based on the Company's assessment of the transparency and reliability of the inputs used in the valuation of each instrument at the measurement date. The highest priority is given to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Securities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company recognizes transfers between levels at the end of each reporting period in which the transfer is identified.

The three hierarchy levels are defined as follows:

**Level 1**— Inputs represent unadjusted quoted prices for identical instruments exchanged in active markets. The fair values of publicly traded equity securities, highly liquid cash management funds and short-term U.S. Government securities are based on published quotes in active markets.

**Level 2**— Inputs include directly or indirectly observable inputs (other than Level 1 inputs) such as quoted prices for similar financial instruments exchanged in active markets, quoted prices for identical or similar financial instruments exchanged in inactive markets and other market observable inputs. The fair value of the vast majority of the Company's investments in fixed maturity securities, along with most derivative contracts (including long equity total return swaps and foreign exchange forwards) 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. Certain common stock investments, which are measured at fair value using the NAV as a practical expedient, have been excluded.

**Level 3**— Inputs include unobservable inputs used in the measurement of financial instruments. Management is required to use its own assumptions regarding unobservable inputs, as there is little, if any, market activity in these instruments or related observable inputs that can be corroborated at the measurement date. Certain cost-method partnership investments, which are measured at fair value using the NAV practical expedient, have been excluded. Investments for which NAV is only a component of the fair value measurement continue to be included.

The following table presents the Company's investments measured at fair value on a recurring basis as of March 31, 2023 and December 31, 2022 classified by the valuation hierarchy discussed previously:

| | | Fair Value Measurement Using | | |
|---|---|---|---|---|
| (In thousands) | Total (a) | Level 1 | Level 2 | Level 3 |
| **March 31, 2023** | | | | |
| **Fair value option securities:** | | | | |
| Fixed maturity securities: | | | | |
| U.S. government debt | $ 1,009,925 | | $ 1,009,925 | |
| State and local government debt | 5,032 | | 5,032 | |
| Foreign government debt | 15,688 | | 15,688 | |
| Corporate debt | 25,603 | | 15,843 | $ 9,760 |
| Total fixed maturity securities | 1,056,248 | | 1,046,488 | 9,760 |
| Equity securities (b) | 319,020 | $ 235,642 | 9,368 | 43,818 |
| Short-term investments | 66,612 | 66,612 | | |
| Mortgage loans | 162,946 | | | 162,946 |
| Other investments – cost-method partnerships (a) (b) | 47,816 | | | |
| Other investments – affiliate corporate loans | 9,183 | | | 9,183 |
| Other investments – contingent consideration receivable (a) | 27,391 | | | 27,391 |
| **Total fair value option investments** | $ 1,689,216 | $ 302,254 | $ 1,055,856 | $ 253,098 |
| | | | | |
| **Derivatives:** | | | | |
| Equity warrants | $ 429 | | | $ 429 |
| Total derivative assets | 429 | | | 429 |
| Foreign exchange forwards | $ (221) | | $ (221) | |
| Total derivative liabilities | (221) | | (221) | |
| **Net derivatives** | $ 208 | | $ (221) | $ 429 |

| | | Fair Value Measurement Using | | |
|---|---|---|---|---|
| (In thousands) | Total | Level 1 | Level 2 | Level 3 |
| **December 31, 2022** | | | | |
| **Fair value option securities:** | | | | |
| Fixed maturity securities: | | | | |
| U.S. government debt | $ 893,937 | | $ 893,937 | |
| State and local government debt | 5,055 | | 5,055 | |
| Foreign government debt | 14,837 | | 14,837 | |
| Corporate debt | 17,402 | | 15,278 | $ 2,124 |
| Total fixed maturity securities | 931,231 | | 929,107 | 2,124 |
| Equity securities (a) | 458,775 | $ 380,923 | 8,972 | 38,921 |
| Short-term investments | 53,376 | 53,376 | | |
| Mortgage loans | 162,019 | | | 162,019 |
| Other investments – cost-method partnerships (a) (b) | 42,526 | | | |
| Other investments – affiliate corporate loans | 8,913 | | | 8,913 |
| Other investments – contingent consideration receivable (a) | 15,723 | | | 15,723 |
| **Total fair value option investments** | $ 1,672,563 | $ 434,299 | $ 938,079 | $ 227,700 |
| | | | | |
| **Derivatives:** | | | | |
| Equity warrants | $ 1,878 | | | $ 1,878 |
| CPI-linked derivatives | 1 | | | 1 |
| Foreign exchange forwards | 155 | | $ 155 | |
| **Total derivatives assets** | $ 2,034 | | $ 155 | $ 1,879 |

(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. Cost-method partnerships, affiliate corporate loans and contingent consideration receivable are part of the composition of other investments in the Consolidated Balance Sheets. See Note 2 for the full composition of investments recorded under other investments.

(b) As of March 31, 2023 and December 31, 2022, certain common stock investments with a fair value of $30.2 million and $30.0 million, respectively, and cost-method partnerships with a fair value of $47.8 million and $42.5 million, respectively, are measured using NAV as a practical expedient and not required to be classified in the fair value hierarchy.

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, 2022** | $ 2,124 | $ 38,921 | $ 162,019 | $ 8,913 | $ 15,723 | $ 1,879 |
| Purchases | 5,339 | 4,000 | 1,020 | | 11,759 (b) | |
| Sales | | | (73) | | (1,192) | (1,500) |
| Realized and unrealized gains/losses included in: | | | | | | |
| Net investments income – accretion of discounts | | | (20) | | | |
| Net realized loss on investments | | | | | (63) | |
| Change in net unrealized gains/losses on fair value option investments | 2,297 | 897 | | 270 | 1,164 | |
| Net gain on derivatives | | | | | | 50 |
| **Balance as of March 31, 2023** | $ 9,760 | $ 43,818 | $ 162,946 | $ 9,183 | $ 27,391 | $ 429 |
| | | | | | | |
| **Balance as of December 31, 2021** | $ 8,083 | $ 23,642 | $ 79,337 | $ 10,209 | $ 18,683 | $ 3,214 |
| Purchases | | 4,167 | 17,421 | 5,000 | | 4,125 |
| Sales | | | | | (890) | |
| Realized and unrealized gains/losses included in: | | | | | | |
| Net investments income – accretion of discounts | | | 43 | | | |
| Net realized gains on investments | | | | | 10 | |
| Change in net unrealized gains/losses on fair value option investments | 4,132 | (544) | | 1 | 763 | |
| Net gain on derivatives | | | | | | 1,000 |
| **Balance as of March 31, 2022** | $ 12,215 | $ 27,265 | $ 96,801 | $ 15,210 | $ 18,566 | $ 8,339 |

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

(b) Purchase of Contingent Consideration Receivable in the first quarter of 2023 of $11.8 million represents fair value of CVR recorded as a result of a sale of a common stock investment. The fair value of the CVR was estimated as the difference between cash consideration received and the market price of the common stock immediately prior to the close of the transaction, and was included as part of total sales proceeds.

## Note 5. Related Party Transactions

*Investments*

Management of all of the Company's investments is centralized at Fairfax through investment management agreements entered into in 2010. The parties to these agreements are Zenith National's insurance subsidiaries, Fairfax and Hamblin Watsa Investment Counsel, Ltd. ("HWIC"), an affiliate of Fairfax and the Company. In the three months ended March 31, 2023 and 2022, investment management expenses incurred under these agreements was $1.3 million.

The Company owns fixed maturity securities, common stock, preferred stock, corporate loans and equity warrants issued by public and private companies and invests in limited partnerships which are affiliates of Fairfax and the Company (including but not limited to investments described in the following paragraphs). Affiliated common stock investments are recorded using the equity-method of accounting, unless the fair value option is elected. The Company's share of an equity-method investee's net income (loss) and net realized gains (losses) from sales and share dilutions are recorded in net investment income (loss) and net realized gains (losses) from investments, respectively, in the Consolidated Statements of Comprehensive Income (Loss). The Company's share of an equity-method investee's other changes in equity and net unrealized gains (losses) on foreign currency translation adjustments are recorded in the change in unrealized gains/losses on investments and change in unrealized foreign currency translation adjustments, respectively, in other comprehensive income (loss).

The Company's affiliated investments as of March 31, 2023 and December 31, 2022 were as follows :

| (In thousands) | | March 31 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Equity securities, at fair value | $ | 188,626 | $ | 156,716 |
| Other investments: | | | | |
| Equity-method common stock | | 94,427 | | 85,919 |
| Partnerships, at fair value | | 8,627 | | 7,783 |
| Affiliate corporate loans, at fair value | | 9,183 | | 8,913 |
| Equity warrants, at fair value | | | | 1,523 |
| Total affiliated investment assets | $ | 300,863 | $ | 260,854 |
| | | | | |
| Other liabilities – indemnity liability resulting from the sale of AB to Atlas | $ | (12,541) | $ | (14,167) |

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

| | | Three Months Ended March 31, | | |
|---|---|---|---|---|
| (In thousands) | | 2023 | | 2022 |
| **Included in net income (loss):** | | | | |
| Net investment gain (loss) | $ | 5,104 | $ | (383) |
| Net realized gain (loss) on investments | | 1,884 | | (2,757) |
| Change in net unrealized gains/losses on fair value option investments | | 12,814 | | 57 |
| Net gain (loss) on derivatives | | (1,390) | | 322 |
| **Included in other comprehensive income (loss):** | | | | |
| Change in unrealized gains/losses on investments, before tax | | 270 | | (40) |
| Change in unrealized foreign currency translation adjustments, before tax | | (454) | | 68 |
| Total | $ | 18,228 | $ | (2,733) |

On March 31, 2023, Fairfax through its subsidiaries, including the Company, increased its investment in ONX Inc. ("ONX") with purchases of debentures, warrants and additional preferred shares. As a result, ONX became an affiliate of Fairfax and the Company. The Company continued accounting for its affiliated investments in ONX using the fair value option under GAAP. As of March 31, 2023 and December 31, 2022, the carrying value of the Company's investment in ONX affiliated common stock was $0.5 million. As of March 31, 2023 and December 31, 2022, the carrying value of the Company's investment in ONX preferred stock was $9.0 million and $5.0 million, respectively.

On March 28, 2023, Atlas and Poseidon Acquisition Corp. ("Poseidon") announced the completion of Poseidon's acquisition of all outstanding common shares of Atlas not already owned by Fairfax and other Poseidon investors ("Poseidon Merger"). Poseidon is a consortium formed by Fairfax and other investors to complete the Poseidon Merger. In connection with the Poseidon Merger, in January 2023, the Company exercised all its Atlas common stock warrants for a cash payment of $8.5 million in exchange for 0.7 million of Atlas common stock shares recorded at a cost of $10.0 million. Separately, on March 9, 2023, Fairfax, including the Company, received 0.5 million of Atlas common stock shares that were previously held back at the time of the closing of the sale transaction of APR Energy (known as AB, an affiliated investment of both Fairfax and the Company) to Atlas on February 28, 2020. The Company recorded its portion of Atlas common stock shares received of 0.1 million at cost of $0.9 million, with an offset recorded in realized gain – other (effectively recognizing additional realized gain on the sale of APR Energy to Atlas). In relation to the same sale of APR Energy to Atlas, Fairfax agreed to potentially compensate Atlas for certain amounts and balances acquired in the transaction ("AB Indemnity"). In the three months ended March 31, 2023 and 2022, the Company paid $1.8 million and $0.6 million, respectively, to Atlas and recorded total realized losses of $0.2 million and $3.3 million, respectively, related to the AB Indemnity and additional related foreign exchange realized losses. As of March 31, 2023 and December 31, 2022, the carrying value of the

Company’s investments in Atlas were as follows: fair value option accounted Atlas common stock of $55.9 million and $44.3 million, respectively; fair value option accounted Atlas preferred stock of $9.4 million and $9.0 million, respectively; and outstanding AB Indemnity liability of $12.5 million and $14.2 million, respectively.

In July 2022, Fairfax through its subsidiaries, including the Company, increased its interest in Grivalia Hospitality S.A. ("GH"), an affiliate of Fairfax and the Company, by acquiring additional common stock shares and commenced consolidating GH in the third quarter of 2022. The Company’s share of this investment was $7.1 million. In March 2023, the Company purchased an additional 3.1 million shares of GH common stock for $5.4 million. The Company continues to account for its investment in GH affiliated common stock using the equity-method of accounting. As of March 31, 2023 and December 31, 2022, the carrying value of the Company’s equity-method investment in GH affiliated common stock was $12.4 million and $7.1 million, respectively.

In March 2022, the Company acquired 0.5 million shares of certain common stock warrants from Wentworth Insurance Company, an affiliate of Fairfax and the Company, for $3.3 million. The warrants had an exercise price of Cdn$15 per share and an expiration date of April 26, 2022. The Company also owned shares of the preferred stock of the same issuer as these warrants. In April 2022, Fairfax through its subsidiaries, including the Company, exercised the warrants in exchange for the common stock and surrendered all of its preferred stock, for cancelation, to the issuer as payment.

In February 2022, Fairfax through its subsidiaries, including the Company, invested in a short-term note issued by Access LNG Tema SCS (“Access LNG”), a Luxemburg limited partnership and an indirect investment of Helios Fairfax Partners (“HFP”), an affiliate of Fairfax and the Company. The Company’s share of this investment was $5.0 million, recorded an Affiliate Corporate Loan in Other Investments. The note bore a 14% annual interest rate and had an initial term to maturity of six months, which was extended through December 2022. In December 2022, the note (both the $5.0 million principal and accrued interest of $0.6 million) was paid in full.

*Other*

The Company entered into reinsurance agreements with various subsidiaries of Allied World Assurance Company Holdings, Ltd. (collectively “Allied”), an affiliate of Fairfax and the Company, effective May 1, 2021, under which Allied cedes a portion of its global professional and medical liability business under the quota share and excess of loss reinsurance contracts on a risk-attaching basis. These reinsurance agreements were renewed effective May 1, 2022. Effective July 1, 2022, the Company entered into a risk attaching quota share agreement under which Allied cedes a portion of its cyber business to the Company. Total estimated premium assumed by the Company for these agreements is expected to be earned over the 24-month period following the effective dates of the agreements.

The following table summarizes the impact from these agreements on various components of the balance sheet:

| (In thousands) | March 31, 2023 | December 31, 2022 |
|---|---|---|
| **Assets:** | | |
| Premiums receivable | $ 11,060 | $ 9,550 |
| Deferred policy acquisition costs | 6,574 | 6,666 |
| **Liabilities:** | | |
| Unpaid losses and loss adjustment expenses | 25,409 | 19,758 |
| Unearned premiums | 17,949 | 18,399 |

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

| (In thousands) | Three Months Ended March 31, 2023 | 2022 |
|---|---|---|
| **Revenues:** | | |
| Net premium earned | $ 9,740 | $ 4,993 |
| **Expenses:** | | |
| Loss and loss adjustment expenses incurred | 6,249 | 3,326 |
| Policy acquisition costs | 3,560 | 1,683 |

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 Re for 2010 through 2023. As of March 31, 2023, and December 31, 2022, the Company recorded net payables for reinsurance of $0.3 million and $0.2 million, respectively, related to the reinsurance transactions with affiliates of Fairfax. In the three months ended March 31, 2023, the Company recorded $0.9 million of ceded premium earned, compared to $1.0 million in the three months ended March 31, 2022.

In the three months ended March 31, 2023 and 2022, Zenith National paid Fairfax $0.1 million and $4.1 million, respectively, for the cost of the open market purchases made by Fairfax on behalf of Zenith National of Fairfax Subordinate Voting Shares granted to certain officers under the Restricted Stock Plan.

The Company is party to Master Administrative Services Agreements with various affiliates of Fairfax and the Company. Under the agreements, the affiliated parties provide and receive administration services such as accounting, underwriting, claims, reinsurance, preparation of regulatory reports, and actuarial services. The Company provides claims administration services to Seneca Insurance Company, Inc. (“Seneca”) and to RiverStone Group LLC and affiliates (“RiverStone”), both affiliates of Fairfax and the Company. Claims administration for RiverStone started in 2013 primarily for TIG Insurance Company workers’ compensation claims, and starting in December 2021, includes certain Crum & Forster Holdings Corp. workers’ compensation claims assumed by RiverStone. In the three months ended March 31, 2023 and 2022, service fee income recorded in the Consolidated Statements of Comprehensive Income (Loss), for RiverStone was $1.8 million and $1.2 million, respectively, and for Seneca was $26,000 and $33,000, respectively. As of March 31, 2023 and December 31, 2022, the Company recorded a net liability of $5.6 million and $5.9 million, respectively, to RiverStone comprised of a loss fund held for RiverStone claims of $6.2 million and $6.4 million, respectively, offset by a service fee receivable from RiverStone of $0.6 million and $0.5 million, respectively. As of March 31, 2023 and December 31, 2022, the loss fund held for Seneca claims was $0.4 million.

## Note 6. Reinsurance Recoverable

Amounts recoverable for paid and unpaid losses from reinsurers as of March 31, 2023 and December 31, 2022 and their respective A.M. Best ratings were as follows:

| (In thousands) | | March 31, 2023 (a) | | December 31, 2022 (a) | A.M. Best Rating (b) | A.M. Best Rating Date |
|---|---|---|---|---|---|---|
| General Reinsurance Corp. | $ | 20,645 | $ | 21,543 | A++ | 04/2022 |
| Hannover Rueck SE | | 7,420 | | 5,453 | A+ | 12/2022 |
| Partner Reinsurance Company | | 7,340 | | 5,292 | A+ | 05/2022 |
| Transatlantic Reinsurance Company | | 6,746 | | 10,980 | A++ | 01/2023 |
| Zenith Insurance 2019 AG IC 1 LLC | | 1,669 | | 1,626 | NR | |
| Factory Mutual Insurance Company | | 1,344 | | 812 | A+ | 01/2023 |
| All others (c) | | 6,444 | | 6,364 | | |
| Total | $ | 51,608 | $ | 52,070 | | |

(a) Under insurance regulations in California, reinsurers placed securities on deposit equal to the California component of the Company's ceded workers' compensation loss reserves.

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

(c) No individual reinsurer in excess of $1.2 million as of March 31, 2023 and December 31, 2022.

## 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) | | March 31, 2023 | | March 31, 2022 |
|---|---|---|---|---|
| Beginning of period, net of reinsurance | $ | 1,010,651 | $ | 1,003,800 |
| Incurred claims: | | | | |
| Current accident year | | 113,772 | | 109,607 |
| Prior accident years | | (11,262) | | (15,716) |
| Total incurred claims | | 102,510 | | 93,891 |
| Payments: | | | | |
| Current accident year | | (15,890) | | (15,759) |
| Prior accident years | | (92,288) | | (80,543) |
| Total payments | | (108,178) | | (96,302) |
| End of period, net of reinsurance | | 1,004,983 | | 1,001,389 |
| Receivable from reinsurers for unpaid losses | | 39,621 | | 44,663 |
| End of period, gross of reinsurance | $ | 1,044,604 | $ | 1,046,052 |

## 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 | (65,717) |
| Vested | (95,226) |
| Purchased and available for future grants | (11,761) |
| Available for future purchases as of March 31, 2023 | 327,296 |

The following represents open market purchases of Fairfax Subordinate Voting Shares under the Restricted Stock Plan which also resulted in charges to the Company's Stockholders' equity:

| (Dollars in thousands, except share data) | Number of Shares | Weighted Average Purchase Price Per Share | Total Purchase Price |
|---|---|---|---|
| Purchased through December 31, 2020 | 129,870 | $ 436.07 | $ 56,633 |
| Purchased in 2021 | 14,526 | 441.18 | 6,409 |
| Purchased in 2022 | 18,290 | 509.21 | 9,313 |
| Purchased in 2023 | 173 | 679.20 | 117 |
| Total purchased since plan inception | 162,859 | 445.00 | $ 72,472 |

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 at December 31, 2020** | 57,601 | $ 463.34 | $ 26,690 |
| Granted during 2021 | 22,496 | 405.50 | 9,122 |
| Forfeited during 2021 | (1,224) | 466.47 | (571) |
| Vested during 2021 | (8,933) | 449.52 | (4,016) |
| **Restricted Shares at December 31, 2021** | 69,940 | 446.45 | 31,225 |
| Granted during 2022 | 11,893 | 494.64 | 5,883 |
| Forferited during 2022 | (1,905) | 448.30 | (854) |
| Vested during 2022 | (14,211) | 449.96 | (6,394) |
| **Restricted Shares at December 31, 2022** | 65,717 | 454.36 | 29,860 |
| Granted during 2023 | 8,203 | 514.48 | 4,220 |
| Forfeited during 2023 | (546) | 438.31 | (239) |
| Transfers during 2023 | (154) | 441.05 | (68) |
| Vested during 2023 | (10,018) | 508.81 | (5,097) |
| **Restricted Shares as of March 31, 2023** | 63,202 | 453.70 | $ 28,676 |

In the three months ended March 31, 2023 and 2022, stock-based compensation expense before tax was $1.5 million and $1.9 million, respectively.

As of March 31, 2023 and December 31, 2022, unrecognized compensation expense before tax under the Restricted Stock Plan was $16.9 million and $14.3 million, respectively.

**Note 9. Commitments and Contingencies**

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