Zenith National Insurance Corp. and Subsidiaries

Consolidated Financial Statements
as of June 30, 2016 and December 31, 2015 and for the three and six months ended June 30, 2016 and 2015
(unaudited)

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

(In thousands, except par value)		June 30, 2016		December 31, 2015
Assets:				
Investments:				
Fixed maturity securities, at fair value (amortized cost $1,009,863 in 2016 and $765,780 in 2015)	$	1,107,137	$	796,335
Equity securities, at fair value (cost $481,417 in 2016 and $553,678 in 2015)		325,706		480,791
Short-term investments, at fair value which approximates cost		159,697		444,695
Other investments		130,154		76,055
Derivative assets, at fair value (cost $40,829 in 2016 and 2015)		23,123		39,495
Assets pledged for derivative obligations, at fair value (amortized cost $27,368 in 2016 and $22,821 in 2015)		33,700		25,876
Total investments		1,779,517		1,863,247
Cash		35,010		22,739
Accrued investment income		10,118		8,963
Premiums receivable		36,284		30,060
Reinsurance recoverables		76,256		80,155
Deferred policy acquisition costs		12,973		10,657
Deferred tax asset		76,841		52,139
Income tax receivable		35,762		17,037
Goodwill		20,985		20,985
Other assets		61,302		53,684
Total assets	$	2,145,048	$	2,159,666
Liabilities:				
Unpaid losses and loss adjustment expenses	$	1,241,359	$	1,250,163
Unearned premiums		95,248		78,451
Policyholders’ dividends accrued		32,690		25,379
Long-term debt		38,153		38,138
Derivative liabilities		15,165		1,436
Other liabilities		68,292		68,058
Total liabilities		1,490,907		1,461,625
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		403,865		402,593
Retained earnings		254,636		298,842
Accumulated other comprehensive loss		(4,399)		(3,433)
Total stockholders’ equity		654,141		698,041
Total liabilities and stockholders’ equity	$	2,145,048	$	2,159,666

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 June 30,		Six Months Ended June 30,	
(In thousands)	2016	2015	2016	2015
Revenues:				
Net premiums earned	$ 197,063	$ 186,755	$ 384,392	$ 365,641
Net investment income	4,207	28,950	11,738	36,412
Net realized gains (losses) on investments	821	14,540	(14,261)	37,919
Change in net unrealized gains/losses on fair value option investments	2,517	(70,141)	(11,267)	(97,750)
Net losses on derivatives	(17,950)	(13,499)	(35,053)	(2,418)
Service fee income	2,323	2,030	4,478	4,108
Total revenues	188,981	148,635	340,027	343,912
Expenses:				
Losses and loss adjustment expenses incurred	98,207	96,910	185,801	165,668
Underwriting and other operating expenses:				
Policyholder acquisition costs	30,068	31,714	61,964	62,181
Underwriting and other costs	32,637	32,091	64,786	67,738
Policyholders' dividends	6,839	6,612	13,723	13,067
Interest expense	830	830	1,660	1,660
Total expenses	168,581	168,157	327,934	310,314
Income (loss) before tax	20,400	(19,522)	12,093	33,598
Income tax expense (benefit)	5,662	(6,153)	1,299	10,877
Net income (loss)	$ 14,738	$ (13,369)	$ 10,794	$ 22,721
Net change in unrealized gains/losses on available-for-sale and other investments, net of tax and reclassification adjustment	(888)	225	(1,601)	(352)
Change in unrealized foreign currency translation adjustment, net of tax	1,397	1,578	635	(367)
Other comprehensive income (loss)	509	1,803	(966)	(719)
Total comprehensive income (loss)	$ 15,247	$ (11,566)	$ 9,828	$ 22,002

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)	Six Months Ended June 30, 2016	2015
Cash flows from operating activities:		
Premiums collected	$ 398,774	$ 379,962
Investment income received	14,126	10,267
Losses and loss adjustment expenses paid	(189,005)	(188,047)
Underwriting and other operating expenses paid	(139,626)	(132,295)
Interest paid	(1,646)	(1,646)
Income taxes paid	(44,206)	(45,061)
Net cash provided by operating activities	38,417	23,180
Cash flows from investing activities:		
Purchases of investments:		
Fixed maturity securities – fair value option	(308,803)	
Equity securities – fair value option		(45,694)
Other investments	(60,891)	(12,704)
Derivatives		(1,667)
Proceeds from maturities and redemptions of investments:		
Fixed maturity securities – fair value option	36,000	8,000
Equity securities – available-for-sale		4,810
Other investments	2,704	1,927
Proceeds from sales of investments:		
Fixed maturity securities – fair value option	23,885	
Fixed maturity – available-for-sale	800	
Equity securities – fair value option	57,444	49,506
Other investments	11	38,045
Net decrease (increase) in short-term investments	285,649	(64,887)
Net derivative cash settlements	(4,952)	6,022
Capital expenditures and other	(2,893)	(1,454)
Net cash provided by (used in) investing activities	28,954	(18,096)
Cash flows from financing activities:		
Dividends paid to common stockholders	(55,000)	
Purchase of Fairfax shares for restricted stock awards	(100)	(5,169)
Net cash used in financing activities	(55,100)	(5,169)
Net increase (decrease) in cash	12,271	(85)
Cash at beginning of period	22,739	33,926
Cash at end of period	$ 35,010	$ 33,841

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

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

	Six Months Ended June 30,	
(In thousands)	2016	2015
Reconciliation of net income to net cash provided by operating activities:		
Net income	$ 10,794	$ 22,721
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	1,868	2,196
Net accretion	(133)	(596)
Net realized (gains) losses on investments	14,261	(37,919)
Change in net unrealized gains/losses on fair value option investments	11,267	97,750
Net losses on derivatives	35,053	2,418
Equity in losses/earnings of investee	5,372	(24,301)
Stock-based compensation expense	1,372	1,726
Decrease (increase) in:		
Accrued investment income	(1,155)	51
Premiums receivable	(9,176)	(7,666)
Reinsurance recoverables	3,899	9,556
Deferred policy acquisition costs	(2,316)	(2,548)
Net income taxes	(42,908)	(34,185)
Increase (decrease) in:		
Unpaid losses and loss adjustment expenses	(8,804)	(33,190)
Unearned premiums	16,797	18,059
Policyholders' dividends accrued	7,311	9,896
Accrued expenses	190	735
Other	(5,275)	(1,523)
Net cash provided by operating activities	$ 38,417	$ 23,180

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

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

(In thousands)	Six Months Ended June 30, 2016	2015
Common stock:	$ 39	$ 39
Additional paid-in capital:		
Beginning of period	402,593	409,384
Stock-based compensation expense	1,372	1,726
Purchases of Fairfax shares for restricted stock awards	(100)	(5,169)
End of period	403,865	405,941
Retained earnings:		
Beginning of period	298,842	270,677
Net income	10,794	22,721
Dividends paid to common stockholders	(55,000)	
End of period	254,636	293,398
Accumulated other comprehensive loss:		
Beginning of period	(3,433)	(1,012)
Net change in unrealized gains/losses on available-for-sale and other investments, net of tax and reclassification adjustment	(1,601)	(352)
Change in unrealized foreign currency translation adjustment, net of tax	635	(367)
End of period	(4,399)	(1,731)
Total stockholders' equity	$ 654,141	$ 697,647

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

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

Note 1. 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, 2015.

The accompanying Consolidated Financial Statements differ from the financial information published by Fairfax in regards to the Company primarily due to differences between GAAP and International Financial Reporting Standards ("IFRS," the reporting basis used by Fairfax), intercompany investment transactions and accounting adjustments recorded by Fairfax related to the acquisition of the Company.

Reclassifications
Certain prior year amounts in the accompanying consolidated financial statements have been reclassified 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 August 4, 2016.

Note 2. Investments

As of June 30, 2016 and December 31, 2015, $1.6 billion and $1.7 billion, respectively, of investments in fixed maturities and equity securities and short-term investments were recorded under the fair value option and changes in fair value for these investments are recorded in the change in net unrealized gains/losses on fair value option investments in the Consolidated Statements of Comprehensive Income (Loss). As of June 30, 2016 and December 31, 2015, $15.6 million and $17.2 million, respectively, of investments in equity securities were classified as available-for-sale and reported at fair value with unrealized gains and losses excluded from earnings and reported in a separate component of stockholders' equity, net of tax.

The cost or amortized cost and fair value of fixed maturity and equity securities and short-term investments at June 30, 2016 and December 31, 2015 were as follows:

(In thousands)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
June 30, 2016				
Fair value option investments:				
Fixed maturity securities:				
State and local government debt	$ 508,174	$ 56,452		$ 564,626
U.S. Government debt	441,785	49,447		491,232
Foreign government debt	53,942	1,594		55,536
Corporate debt	30,063	110	$ (3,997)	26,176
Total fixed maturity securities (a)	1,033,964	107,603	(3,997)	1,137,570
Equity securities	460,623	34,831	(185,372)	310,082
Short-term investments (b)	162,964			162,964
Total fair value option investments	1,657,551	142,434	(189,369)	1,610,616
Available-for-sale investments:				
Equity securities	20,794	3	(5,173)	15,624
Total available-for-sale investments	20,794	3	(5,173)	15,624
Total fixed maturity, equity securities and short-term investments	**$ 1,678,345**	**$ 142,437**	**$ (194,542)**	**$ 1,626,240**
December 31, 2015				
Fair value option investments:				
Fixed maturity securities:				
State and local government debt	$ 549,670	$ 37,329	$ (237)	$ 586,762
U.S. Government debt	205,779	4,253	(5,171)	204,861
Corporate debt	29,597	1,764	(4,328)	27,033
Total fixed maturity securities (a)	785,046	43,346	(9,736)	818,656
Equity securities	532,885	81,257	(150,535)	463,607
Short-term investments (b)	448,250			448,250
Total fair value option investments	1,766,181	124,603	(160,271)	1,730,513
Available-for-sale investments:				
Equity securities	20,793	11	(3,620)	17,184
Total available-for-sale investments	20,793	11	(3,620)	17,184
Total fixed maturity, equity securities and short-term investments	**$ 1,786,974**	**$ 124,614**	**$ (163,891)**	**$ 1,747,697**

(a) Includes investments with an amortized cost of $24.1 million and a fair value of $30.4 million pledged for derivative obligations at June 30, 2016 and $19.3 million and $22.3 million at December 31, 2015, respectively.

(b) Includes investments of $3.3 million and $3.6 million pledged for derivative obligations at June 30, 2016 and December 31, 2015, respectively.

Fixed maturity securities, including short-term investments, by contractual maturity at June 30, 2016 were as follows:

(In thousands)		Amortized Cost		Fair Value
Due in one year or less	$	162,964	$	162,964
Due after one year through five years		24,465		20,621
Due after five years through ten years		5,597		5,555
Due after ten years		1,003,902		1,111,394
Total	$	1,196,928	$	1,300,534

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.

Total investments at June 30, 2016 also include other investments in partnerships and limited liability companies, equity-method common stock and derivative assets. Derivative contracts are described in Note 3.

Other investments consist of the following:

(In thousands)		June 30, 2016		December 31, 2015
Equity-method common stock (a)	$	72,469	$	33,408
Equity-method partnerships (a)		35,519		21,803
Cost-method partnerships, at fair value (cost $19,626 in 2016 and $17,403 in 2015) (b)		22,166		20,844
Total other investments	$	130,154	$	76,055

(a) Equity-method common stock and partnership investments are recorded at cost, adjusted for subsequent purchases/distributions and the Company's share of the changes in the investee's net asset value ("NAV") since the initial acquisition.

(b) Partnerships and limited liability company investments where the Company's ownership is minor and the Company does not have significant operating or financial influence are recorded at fair value.

At June 30, 2016, the Company had commitments to invest an additional $9.0 million in partnerships and limited liability companies.

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

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Sales of fixed maturity securities, including short-term investments and other	$ 1,008	$ 2,100	$ 1,184	$ (690)
Sales of equity securities (a)		12,440	(14,817)	38,609
Losses from other investments	(187)		(628)	
Net realized gains (losses) on investments	$ 821	$ 14,540	$ (14,261)	$ 37,919

(a) Net realized losses on sales of equity securities in the six months ended June 30, 2016 included $14.8 million of gross realized losses on sales of fair value option securities. Net realized gains on sales of equity securities in the six months ended June 30, 2015 included $41.6 million of gross realized gains and $1.7 million of gross realized losses on sales of fair value option equity securities and $1.3 million of gross realized losses on sales of available-for-sale equity securities.

The changes in net unrealized gains (losses) on available-for-sale investments and investments in cost-method partnerships are recognized as a separate component of stockholders' equity and were as follows:

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Equity securities	$ (1,139)	$ 1,002	$ (1,561)	$ 1,298
Investments in cost-method partnerships	(226)	(496)	(901)	(1,504)
Fixed maturity securities, including short-term investments		(161)		(337)
Total before tax	$ (1,365)	$ 345	$ (2,462)	$ (543)
After tax	$ (888)	$ 225	$ (1,601)	$ (352)

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

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Change in net unrealized gains/losses recognized on fair value option investments	$ 2,517	$ (70,141)	$ (11,267)	$ (97,750)
Less: Net gains recognized on fair value option investments sold	(669)	(11,369)	(2,004)	(36,703)
Change in net unrealized gains/losses recognized on fair value option investments still held at the reporting date	$ 3,186	$ (58,772)	$ (9,263)	$ (61,047)

Net investment income was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2016	2015	2016	2015
Income (loss) from equity-method investments (a)	$ (5,215)	$ 22,619	$ (5,372)	$ 24,301
Fixed maturity securities	10,533	7,790	20,443	15,609
Equity securities	770	610	2,387	2,133
Mortgage loan		297		594
Short-term and other	268	174	673	324
Derivatives (see Note 3)	(372)	(770)	(2,506)	(2,841)
Subtotal	5,984	30,720	15,625	40,120
Investment expenses	1,777	1,770	3,887	3,708
Net investment income	$ 4,207	$ 28,950	$ 11,738	$ 36,412

(a) Income from equity-method investments in the three and six months ended June 30, 2016 includes a decrease of $5.6 million related to our share of the net loss from a common stock investment.

Income from equity-method investments in the three and six months ended June 30, 2015 includes $21.3 million and $21.4 million, respectively, from a limited partnership which completed a sale in June 2015 of 50 multi-family buildings located throughout Japan. The Company received a final net cash distribution of $34.4 million upon liquidation of the partnership during the three months ended June 30, 2015 and recognized its share of profit of the investee as income (including amounts previously recorded in accumulated other comprehensive income).

At June 30, 2016 and December 31, 2015, investments with a fair value of $1.1 billion and $1.0 billion, respectively, were on deposit with regulatory authorities in compliance with insurance company regulations. At June 30, 2016, the Company had additional qualifying securities with a fair value of $77.7 million available for deposit.

Note 3. Derivative Contracts

Derivative contracts entered into by the Company are considered economic hedges and are not designated as accounting hedges. The Company invests in total return swap derivative contracts (“total return swaps”) to protect the value of its equity and equity-linked investments against a major market downturn. The Company also invests in foreign exchange forward contracts (“foreign exchange forwards”) and derivative contracts referenced to the consumer price index in the United States and Europe (“CPI-linked derivatives”) to protect the value of its investment portfolio against foreign currency fluctuations as well as the risk of deflation. Derivatives are carried at fair value on the Consolidated Balance Sheets with changes in fair value recorded in the Consolidated Statements of Comprehensive Income (Loss) as net gains/losses on derivatives. Cash settlements related to fair value changes on derivative contracts 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.

Derivative contracts in a gain position are presented as derivative assets in the Consolidated Balance Sheets. Derivative contracts in a loss position are presented as derivative liabilities in the Consolidated Balance Sheets. Securities pledged by counterparties as collateral for derivatives in a gain position are not recorded as assets of the Company. Securities pledged to counterparties by the Company as collateral for derivative contracts in a loss position, as well as contractually required independent collateral, are reflected in the Consolidated Balance Sheets as assets pledged for derivative obligations.

The following table summarizes the notional amount, cost and fair value of derivative contracts as of June 30, 2016 and December 31, 2015:

	Notional		Fair Value of Derivative	
(In thousands)	Amount	Cost	Assets	Liabilities
June 30, 2016				
CPI-linked derivatives	$ 7,852,996	$ 40,829	$ 19,279	
Total return swaps	556,397		2,166 (a)	$ 15,155 (a)
Foreign exchange forwards	93,320		1,568	10
Equity rights/warrants	921		110	
Total		$ 40,829	$ 23,123	$ 15,165
December 31, 2015				
CPI-linked derivatives	$ 7,801,220	$ 40,829	$ 22,801	
Total return swaps	446,959		15,528 (a)	
Foreign exchange forwards	148,822		905	$ 1,436
Equity rights/warrants	921		261	
Total		$ 40,829	$ 39,495	$ 1,436

(a) Represents the change in fair value since the most recent cash settlement date prior to the reporting date.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2016	2015	2016	2015
Gains (losses) on settlements				
Total return swaps (a)	$ (65,328)	$ (12,920)	$ (615)	$ (23,072)
Foreign exchange forwards	(1,324)	1,392	(4,337)	27,658
Total	(66,652)	(11,528)	(4,952)	4,586
Change in fair value (b)				
Total return swaps	43,785	11,187	(28,517)	5,432
Foreign exchange forwards	5,097	(8,062)	2,089	(13,331)
CPI-linked derivatives	(106)	(5,112)	(3,522)	777
Equity rights/warrants	(74)	16	(151)	118
Total	48,702	(1,971)	(30,101)	(7,004)
Net gains (losses) on derivatives				
Total return swaps	(21,543)	(1,733)	(29,132)	(17,640)
Foreign exchange forwards	3,773	(6,670)	(2,248)	14,327
CPI-linked derivatives	(106)	(5,112)	(3,522)	777
Equity rights/warrants	(74)	16	(151)	118
Total net losses on derivatives	$ (17,950)	$ (13,499)	$ (35,053)	$ (2,418)

(a) Amounts for total return swaps include net gains (losses) where the Company and its counterparties are required to cash-settle on a quarterly basis the fair value movement since the previous quarterly reset date notwithstanding that the total return swap positions remain open subsequent to the cash settlement.

(b) Change in fair value of total return swaps is measured from the contract inception or most recent cash settlement date prior to the reporting date. Change in fair value of CPI-linked derivatives and foreign exchange forwards include unrealized foreign exchange gains. Change in fair value of equity rights/warrants is measured from the contract inception date.

Total Return Swaps

The Company has protected its equity and equity-related holdings against a potential decline in equity markets by way of short positions effected through total return swaps in the Russell 2000 Index. The Company's economic equity hedges are structured to provide a return which is inverse to changes in the fair values of the Russell 2000 Index.

Total return swaps derive their value primarily from changes in fair value of the underlying equity index fund traded on an exchange. These swaps require no initial net cash investment and at inception the fair value is zero.

The Company's total return swaps contain quarterly reset provisions requiring counterparties to settle in cash any fair value movements arising subsequent to the prior settlement date. On the contractual settlement dates, the Company is also required to pay dividends declared on the underlying equity index and is entitled to receive from or is required to pay to the counterparty income on the notional amount at a stated interest rate. Interest earned is recorded as investment income while interest incurred and dividends declared are recorded as a reduction of such investment income in the Consolidated Statements of Comprehensive Income (Loss). To the extent that a contractual reset date does not correspond to the balance sheet date, the Company adjusts the carrying value of the corresponding derivative asset or liability associated with each total return swap contract to reflect its fair value at the balance sheet date with the offset to net gains/losses on derivatives in the Consolidated Statements of Comprehensive Income (Loss).

The following table summarizes the units, original notional amount and weighted average index value of the Company's open short position total return swaps on the Russell 2000 Index at initiation and the index value at June 30, 2016 and December 31, 2015:

(Units and original notional amounts in thousands)	Units	Original Notional Amount	Weighted Average Index Value	Index Value
June 30, 2016	4,952	$ 540,630	$ 109.53	$ 114.98
December 31, 2015	3,835	$ 473,448	$ 123.53	$ 112.62

During the three and six months ended June 30, 2016, the Company incurred $0.4 million and $2.5 million, respectively, and $0.8 million and $2.8 million, respectively, for the comparable periods of 2015 of dividend and interest expense on its total return swaps, which was recorded as a reduction to investment income.

CPI-linked Derivatives

CPI-linked derivatives serve as an economic hedge against the potential adverse financial impact on the Company of decreasing consumer price levels (i.e., deflation). At June 30, 2016, these contracts had a remaining weighted average life of 6 years. The initial premium paid for each contract is recorded as a derivative asset and is subsequently adjusted for changes in the fair value of the contract at each balance sheet date with a corresponding offset to net gains (losses) on derivatives in the Company's Consolidated Statements of Comprehensive Income (Loss). In the event of a sale, expiration or early settlement of any of these contracts, the Company will receive a cash settlement equal to the fair value of that contract on the date of the transaction. The Company's maximum potential loss on any contract is limited to the original cost of that contract.

The following table summarizes the notional amounts and underlying CPI Index price ("strike price") for the Company's CPI-linked derivatives at initiation and the index value at June 30, 2016 and December 31, 2015:

(Notional amount in thousands)	Notional Amount Original Currency		Notional Amount US Dollars	Weighted Average Strike Price In Original Currency		Index Value	
Underlying CPI Index:							
June 30, 2016							
United States	5,520,000	$	5,520,000	232.81		241.04	
European Union	2,100,000		2,332,996	97.29		100.63	
		$	7,852,996				
December 31, 2015							
United States	5,520,000	$	5,520,000	232.81		236.53	
European Union	2,100,000		2,281,220	97.29	(a)	100.16	(a)
		$	7,801,220				

(a) During the first quarter of 2016, the CPI index value for the European Union was rebased with 2015 as the new reference year. The weighted average strike price at December 31, 2015 was rebased accordingly.

Foreign Exchange Forwards

The Company is currently exposed to currency rate fluctuations through its holding of foreign investments. Foreign exchange forwards denominated in Euros are used to manage certain foreign currency exposures arising from foreign currency denominated investments. These foreign exchange forwards require no initial net cash investment and at inception the fair value is zero. These contracts have a term to maturity of less than one year and may be renewed at market rates.

Counterparty Risk

The Company endeavors to limit counterparty risk through the terms of master netting agreements negotiated with the counterparties to its derivative contracts. Pursuant to these agreements, the counterparties to these transactions are contractually required to deposit eligible collateral in collateral accounts (subject to certain minimum thresholds) for the benefit of the Company depending on the then current fair value of the derivative contracts. Agreements negotiated with counterparties also provide for a single net settlement of all financial instruments covered by the agreement in the event of default by the counterparty, thereby permitting obligations owed by the Company to a counterparty to be offset to the extent of the aggregate amount receivable by the Company from that counterparty ("net settlement arrangements").

The following table sets out the Company's exposure to credit risk related to the counterparties to its derivative contracts:

(In thousands)		June 30, 2016		December 31, 2015
Total derivative assets (a)	$	23,013	$	39,234
Impact of net settlement arrangements		(11,122)		
Fair value of collateral deposited for the benefit of the Company not recorded as assets of the Company (U.S. Treasury notes and bonds)		(10,322)		(25,978)
Excess of collateral pledged by the Company in favor of counterparties		1,506		2,120
Net derivative counterparty exposure after net settlement and collateral arrangements	$	3,075	$	15,376

(a) Excludes equity rights and warrants with a fair value of $110,000 and $261,000 at June 30, 2016 and December 31, 2015 respectively, which are not subject to counterparty risk.

The net derivative counterparty exposure after net settlement and collateral arrangements relates principally to the timing of collateral placement.

At June 30, 2016 and December 31, 2015, the Company pledged to its counterparties securities with a fair value of $33.7 million and $25.9 million, respectively, as collateral for derivatives and recorded this amount as assets pledged for derivative obligations in the Company's Consolidated Balance Sheets as follows:

(In thousands)		June 30, 2016		December 31, 2015
Independent collateral for CPI-linked derivatives and equity index total return swaps	$	30,957	$	22,321
Mark-to-market collateral for total return swaps and foreign exchange forwards		2,743		3,555
Total assets pledged for derivatives	$	33,700	$	25,876

As of June 30, 2016, the counterparties pledged $3.0 million of cash and $20.4 million of securities at fair value for the Company's benefit, compared to $26.0 million of securities pledged at fair value at December 31, 2015. The Company recorded the cash collateral as Other Assets in its Consolidated Balance Sheet and recognized a corresponding liability. The Company does not record in its Consolidated Balance Sheets securities pledged by counterparties as collateral for derivatives in a gain position.

Offsetting of Derivative Assets/Liabilities

The Company entered into master netting agreements with certain of its derivative counterparties whereby the collateral provided (held) is calculated on a net basis. In accordance with GAAP, the Company elected not to offset derivative assets and liabilities in the Consolidated Balance Sheets for the counterparties with the master netting agreement. The following table summarizes by counterparty (1) the gross and net amounts reflected as derivative assets (excluding equity rights and warrants) and liabilities in the Consolidated Balance Sheets; (2) the gross amounts of the derivative instruments eligible for netting but not offset in the Consolidated Balance Sheets; and (3) financial collateral received and pledged which is contractually permitted to be offset upon an event of default, but is not allowed to be presented net under GAAP (net amount of exposure).

		Gross amounts not offset in the Consolidated Balance Sheets		
(In thousands)	Gross and net amounts reflected in the Consolidated Balance Sheets	Derivative asset (liability)	Collateral provided (held) - financial Instruments (b)	Net amount of exposure
June 30, 2016				
Derivative assets:				
Citibank, N.A.	$ 17,005	$ (8,537)	$ (8,468)	
Deutsche Bank AG London	4,440	(2,586)	(1,854)	
Bank of New York Mellon (c)	1,568			$ 1,568
Total derivative assets (a)	$ 23,013	$ (11,123)	$ (10,322)	$ 1,568
Derivative liabilities:				
Citibank, N.A.	$ (8,537)	$ 8,537		
Wells Fargo	(2,805)			$ (2,805)
Deutsche Bank AG London	(2,586)	2,586		
Bank of America, N.A.	(1,237)		$ 1,237	
Total derivative liabilities	$ (15,165)	$ 11,123	$ 1,237	$ (2,805)
December 31, 2015				
Derivative assets:				
Citibank, N.A.	$ 29,849		$ (22,517)	$ 7,332
Deutsche Bank AG London	7,488		(3,461)	4,027
Bank of New York Mellon (c)	905			905
Bank of America, N.A.	992			992
Total derivative assets (a)	$ 39,234		$ (25,978)	$ 13,256
Derivative liabilities:				
Wells Fargo	$ (1,436)		$ 1,436	
Total derivative liabilities	$ (1,436)		$ 1,436	

(a) Excludes equity rights and warrants with a fair value of $110,000 and $261,000 at June 30, 2016 and December 31, 2015, respectively, which are not subject to counterparty risk.

(b) Amounts of collateral pledged to the Company by the counterparties (collateral held) and pledged by the Company to the counterparties (collateral provided) reflected above are to the extent of the net counterparty exposure before the collateral.

(c) Represents foreign exchange forward contracts that are not subject to a master netting arrangement.

Note 4. Fair Value Measurements

The Company's fixed maturity securities, including short-term investments, equity securities, derivative contracts and other investments in cost-method partnerships are recorded at fair value in the accompanying Consolidated Balance Sheets. Fair value is the price that would be received to sell an asset or would be paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. 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. The three hierarchy levels are defined as follows:

Level 1—Valuations based on unadjusted quoted market prices in active markets for identical securities. The fair values of investments included in the Level 1 category were based on quoted prices that were readily and regularly available in an active market. The Level 1 category includes publicly traded equity securities, highly liquid cash management funds and short-term U.S. Government securities.

Level 2—Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, such as benchmark yields; broker-dealer quotes; issuer spreads and bids. The fair values of securities included in the Level 2 category were based on publicly traded over-the-counter prices, broker-dealer quotes or industry accepted valuation models, which are sensitive to certain market observable assumptions, including share price volatility and credit spreads of the issuer.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement and involve management judgment. Further qualitative and quantitative information on the Company's Level 3 securities is provided in the following pages.

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The following table presents the Company's investments measured at fair value on a recurring basis as of June 30, 2016 and December 31, 2015 classified by the valuation hierarchy discussed previously:

			Fair Value Measurement Using		
(In thousands)		Total	Level 1	Level 2	Level 3
June 30, 2016					
Fair value option securities:					
Fixed maturity securities:					
State and local government debt	$	564,626		$ 564,626	
U.S. Government debt		491,232		491,232	
Foreign Government debt		55,536		55,536	
Corporate debt		26,176		5,750	$ 20,426
Total fixed maturity securities		1,137,570		1,117,144	20,426
Equity securities		310,082	$ 244,528	65,554	
Short-term investments		162,964	162,964		
Total fair value option investments	$	1,610,616	$ 407,492	$ 1,182,698	$ 20,426
Available-for-sale investments:					
Equity securities	$	15,624		$ 35	$ 15,589
Total available-for-sale investments	$	15,624		$ 35	$ 15,589
Other investments:					
Cost-method partnerships	$	22,166			$ 22,166
Total other investments	$	22,166			$ 22,166
Derivatives:					
CPI-linked derivatives	$	19,279			$ 19,279
Total return swaps		2,166		$ 2,166	
Foreign exchange forwards		1,568		1,568	
Equity rights/warrants		110		110	
Total derivative assets		23,123		3,844	19,279
Total return swaps		(15,155)		(15,155)	
Foreign exchange forwards		(10)		(10)	
Total derivative liabilities		(15,165)		(15,165)	
Net derivatives	$	7,958		$ (11,321)	$ 19,279
December 31, 2015					
Fair value option securities:					
Fixed maturity securities:					
State and local government debt	$	586,762		$ 586,762	
U.S. Government debt		204,861		204,861	
Corporate debt		27,033		4,838	$ 22,195
Total fixed maturity securities		818,656		796,461	22,195
Equity securities		463,607	$ 343,300	120,307	
Short-term investments		448,250	448,250		
Total fair value option investments	$	1,730,513	$ 791,550	$ 916,768	$ 22,195
Available-for-sale investments:					
Equity securities	$	17,184		$ 42	$ 17,142
Total available-for-sale investments	$	17,184		$ 42	$ 17,142
Other investments:					
Cost-method partnerships	$	20,844			$ 20,844
Total other investments	$	20,844			$ 20,844
Derivatives:					
CPI-linked derivatives	$	22,801			$ 22,801
Total return swaps		15,528		$ 15,528	
Foreign exchange forwards		905		905	
Equity rights/warrants		261		261	
Total derivative assets		39,495		16,694	22,801
Foreign exchange forwards		(1,436)		(1,436)	
Total derivative liabilities		(1,436)		(1,436)	
Net derivatives	$	38,059		$ 15,258	$ 22,801

The following table presents changes in the Company's Level 3 fixed maturity, equity securities, derivatives and partnerships measured at fair value on a recurring basis:

(In thousands)	Corporate Debt	Equity Securities	Cost-Method Partnerships	CPI-linked Derivatives
Balance at March 31, 2016	$ 21,709	$ 16,727	$ 21,773	$ 19,385
Purchases			910	
Sales			(104)	
Realized and unrealized gains/losses included in:				
Other comprehensive loss (a)		(1,138)	(226)	
Change in net unrealized gains/losses on fair value option investments	(1,283)			
Net realized losses on investments			(187)	
Net losses on derivatives				(106)
Balance at June 30, 2016	$ 20,426	$ 15,589	$ 22,166	$ 19,279
Balance at December 31, 2015	$ 22,195	$ 17,142	$ 20,844	$ 22,801
Purchases			2,996	
Sales			(145)	
Realized and unrealized gains/losses included in:				
Other comprehensive loss (a)		(1,553)	(901)	
Change in net unrealized losses on fair value option investments	(1,769)			
Net realized losses on investments			(628)	
Net losses on derivatives				(3,522)
Balance at June 30, 2016	$ 20,426	$ 15,589	$ 22,166	$ 19,279

(In thousands)	Corporate Debt	Equity Securities	Cost-Method Partnerships	CPI-linked Derivatives
Balance at March 31, 2015	$ 17,942	$ 17,262	$ 24,718	$ 27,500
Purchases			563	
Sales			(76)	
Realized and unrealized gains/losses included in:				
Other comprehensive income (loss) (a)		998	(496)	
Change in net unrealized gains/losses on fair value option investments	153			
Net realized losses on investments			(140)	
Net losses on derivatives				(5,112)
Transfer to Level 3 from Level 1 (b)		28,199		
Balance at June 30, 2015	$ 18,095	$ 46,459	$ 24,569	$ 22,388
Balance at December 31, 2014	$ 19,998	$ 23,059	$ 27,506	$ 19,944
Purchases			703	1,667
Sales		(4,810)	(610)	
Realized and unrealized gains/losses included in:				
Other comprehensive income (loss) (a)		1,294	(1,504)	
Change in net unrealized gains/losses on fair value option investments	(1,903)			
Net realized losses on investments		(1,283)	(1,526)	
Net gains on derivatives				777
Transfer to Level 3 from Level 1 (b)		28,199		
Balance at June 30, 2015	$ 18,095	$ 46,459	$ 24,569	$ 22,388

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

(b) In June 2015, investments in Greek common stocks were transferred from Level 1 to Level 3 to reflect the temporary closure of the Athens Stock Exchange on June 26, 2015.

The following table provides information on the valuation techniques, significant unobservable inputs and ranges for each major category of Level 3 assets measured at fair value on a recurring basis at June 30, 2016:

(In thousands)		Balance at June 30, 2016	Valuation Techniques	Significant Unobservable Inputs
Corporate debt (a)	$	20,426	Market approach	Credit spread of issuer
Equity securities, available-for-sale (b)	$	15,589	Market approach	Estimated NAV multiple which incorporates estimated market value of underlying real estate holdings supported by appraisals
Cost-method partnerships (c)	$	22,166	NAV or Market approach	Investees' Financial Statements or fair value based on recent real estate appraisals
CPI-linked derivatives (d)	$	19,279	Market approach	Broker quotes

(a) The Level 3 corporate debt securities consist of two convertible bonds purchased in November 2013 and September 2015. The fair value of these bonds was determined using a Black-Scholes Model. Prices for identical instruments are not available and significant subjectivity may be involved when fair value is determined using pricing data available for comparable instruments.

(b) The Level 3 equity securities consist primarily of common stock of a company based in the United Kingdom with a fair value approximating its NAV because a significant portion of its NAV, excluding cash balances, is comprised of real estate holdings supported by appraisals. The estimated fair value of this equity security also includes foreign currency fluctuations and considers the value of an unrecognized tax loss carryforward.

(c) The Level 3 cost-method partnerships are primarily valued based on the Company's share of the NAV of the investee based on the most recent financial statements received, with the NAV generally reported at fair value in the investee's financial statements. Fair value of one cost-method partnership was estimated primarily based on the value of the real estate holdings supported by appraisals. These limited partnerships are classified as Level 3 because they may require at least three months of notice to liquidate.

(d) The Level 3 CPI-linked derivatives are valued using broker-dealer quotes which management has determined use market observable inputs except for the inflation volatility input which is not market observable.

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"), a Fairfax affiliate. Investment management expenses incurred under these agreements for the three and six months ended June 30, 2016 and 2015 were both $1.3 million and $2.6 million, respectively.

The Company owned a fixed maturity investment with a fair value of $8.9 million at December 31, 2014 that was issued by Fairfax and purchased in the ordinary course of business. Investment income from this fixed maturity investment was $0.2 million and $0.4 million for the three and six months ended June 30, 2015, respectively. This investment matured on October 1, 2015 and the Company received $8.8 million of principal and interest in full settlement of the security.

The Company owns common shares in various classes of mutual funds, which are wholly-owned subsidiaries of Fairfax. At June 30, 2016 and December 31, 2015, the aggregate fair value of these investments was $46.4 million and $97.5 million, respectively. Changes in fair value for these investments are recorded in the change in net unrealized losses on fair value option investments in the Consolidated Statements of

Comprehensive Income (Loss). During the six months ended June 30, 2016, the Company recorded a net increase in unrealized losses of $1.1 million, realized losses of $0.4 million and dividend income of $0.3 million on these investments. During the six months ended June 30, 2015, the Company recorded a net increase in unrealized losses of $0.7 million.

The Company owns common stock in publicly-traded companies and invests in limited partnerships which are affiliates of Fairfax. These investments are recorded under the equity-method of accounting; see Note 2 for additional information related to equity-method investments. At June 30, 2016 and December 31, 2015, the aggregate value of these investments recorded in the Consolidated Balance Sheets was $108.0 million and $55.2 million, respectively.

Other

The Company continues to be a party to various reinsurance treaties with affiliates of Fairfax that were entered into in the ordinary course of business, primarily consisting of a quota share reinsurance agreement with Odyssey Reinsurance Company ("Odyssey") in which the Company ceded 10% of its workers' compensation premiums written from January 1, 2002 through December 31, 2004. Odyssey also participates in the Company's excess of loss reinsurance agreements for 2010 through 2016. At June 30, 2016 and December 31, 2015, the Company recorded net reinsurance recoverables of $4.2 million and $5.3 million, respectively, related to these transactions.

Zenith National paid Fairfax approximately $0.1 million and $5.2 million in the six months ended June 30, 2016 and 2015, respectively, for the cost of the open market purchase made by Fairfax on Zenith National's behalf of Fairfax Subordinate Voting Shares granted to certain officers under the Restricted Stock Plan.

In April 2015, Zenith National entered into an agreement with MFXchange US, Inc., an indirect, wholly-owned subsidiary of Fairfax, to provide information technology services to Zenith National. The Company recorded expenses of $0.1 million in the six months ended June 30, 2016.

In November 2014, the Company entered into a Master Administrative Services Agreement with various affiliates of Fairfax. Under the agreement, the affiliated parties provide and receive administration services such as accounting, underwriting, claims, reinsurance, preparation of regulatory reports, and actuarial services. The Company did not have any transactions under this agreement in the six months ended June 30, 2016 and 2015.

In March 2013, the Company entered into an agreement with certain Fairfax affiliates to become their primary workers' compensation claims service provider. The Company recorded service fee income of $2.3 million and $4.5 million, in the three and six months ended June 30, 2016, respectively, compared to $2.0 million and $4.1 million, respectively in the comparable periods of 2015, in the Consolidated Statements of Comprehensive Income (Loss) which is substantially offset by costs of dedicated staff and allocated shared services. Other liabilities at June 30, 2016 and December 31, 2015, include loss funds of $3.2 million and $1.4 million, respectively, maintained by the Company to process future workers' compensation claim payments on behalf of Fairfax affiliates.

The insurance subsidiaries are subject to insurance regulations, which restrict their ability to distribute dividends. The maximum dividend which can be paid to Zenith National by Zenith Insurance without prior approval from the California Department of Insurance ("California DOI") during 2016 is $121.0 million. In March 2015, Zenith Insurance paid ordinary dividends of $10.0 million to Zenith National. In January 2016, Zenith National paid a $55.0 million ordinary dividend to affiliates of Fairfax with the proceeds from the sale of its investment in common shares of a mutual fund which is a wholly-owned subsidiary of Fairfax.

The maximum dividend which can be paid to Zenith Insurance by ZNAT Insurance Company (“ZNAT”), a wholly owned subsidiary of Zenith Insurance, without prior approval of the California DOI during 2016 is $2.6 million. In May 2016 and April 2015, ZNAT paid dividends of $2.6 million and $2.7 million, respectively, to Zenith Insurance to reduce ZNAT’s excess capital.

Note 6. Reinsurance Recoverable

Amounts recoverable for paid and unpaid losses from reinsurers at June 30, 2016 and December 31, 2015 and their respective A.M. Best ratings were as follows:

(In thousands)	June 30, 2016 (a)	December 31, 2015 (a)	A.M. Best Rating (b)	A.M. Best Rating Date
General Reinsurance Corp.	$ 57,588	$ 59,114	A++	10/2015
Inter-Ocean Re Ins Co. Ltd. (c)	4,050	4,245	NR	
Odyssey Reinsurance Co. (d)	3,427	3,981	A	5/2015
National Union Fire Ins. Co. of Pittsburgh	1,280	1,281	A	6/2016
Lloyds Underwriters	975	978	A	9/2015
All others (e)	8,936	10,556		
Total	$ 76,256	$ 80,155		

(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) Reinsurance recoverable from the Inter-Ocean Re Ins Co. Ltd. is fully secured by an investment grade security held in a bank trust account on the Company’s behalf.

(d) Odyssey Reinsurance Company (“Odyssey”) is an affiliate of Fairfax, see Note 5.

(e) No individual reinsurer was in excess of $0.8 million at June 30, 2016.

Note 7. Other Comprehensive Income (Loss)

Other comprehensive loss is comprised of changes in unrealized gains (losses) on investments classified as available-for-sale, other investments in cost-method partnerships, and foreign currency translation adjustments. The following table summarizes the components of the Company's other comprehensive loss:

(In thousands)	Pre-Tax	Income Tax Effect	After-Tax
Three months ended June 30, 2016			
Net unrealized losses arising during the period	$ (1,365)	$ (477)	$ (888)
Change in unrealized foreign currency translation adjustment	2,149	752	1,397
Total other comprehensive income	$ 784	$ 275	$ 509
Six months ended June 30, 2016			
Net unrealized losses arising during the period	$ (2,451)	$ (857)	$ (1,594)
Less: reclassification adjustment for net realized gains included in net income	(11)	(4)	(7)
Change in unrealized foreign currency translation adjustment	977	342	635
Total other comprehensive loss	$ (1,485)	$ (519)	$ (966)
Three months ended June 30, 2015			
Net unrealized gains arising during the period	$ 345	$ 120	$ 225
Change in unrealized foreign currency translation adjustment	2,429	851	1,578
Total other comprehensive income	$ 2,774	$ 971	$ 1,803
Six months ended June 30, 2015			
Net unrealized losses arising during the period	$ (1,036)	$ (363)	$ (673)
Less: reclassification adjustment for net realized losses included in net income	493	172	321
Change in unrealized foreign currency translation adjustment	(564)	(197)	(367)
Total other comprehensive loss	$ (1,107)	$ (388)	$ (719)

The following table summarizes the net unrealized gains (losses) on available-for-sale, other investments in cost-method partnerships, and foreign currency translation adjustment recognized in accumulated other comprehensive loss:

(In thousands)	June 30, 2016	December 31, 2015
Equity securities	$ (5,170)	$ (3,609)
Other investments in cost-method partnerships	2,540	3,441
Net unrealized loss on investments, before tax	(2,630)	(168)
Deferred tax benefit	(920)	(59)
Net unrealized loss on investments, after tax	(1,710)	(109)
Net unrealized loss on foreign currency translation adjustment, before tax	(4,137)	(5,114)
Deferred tax benefit	(1,448)	(1,790)
Net unrealized loss on foreign currency translation adjustment, after tax	(2,689)	(3,324)
Total accumulated other comprehensive loss	$ (4,399)	$ (3,433)

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
Purchased and restricted	(43,574)
Vested	(28,870)
Purchased and available for future grants	(158)
Available for future purchases at June 30, 2016	127,398

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, 2011	29,970	$ 388.11	$ 11,632
Purchased in 2012	10,554	381.59	4,027
Purchased in 2013	6,145	390.86	2,402
Purchased in 2014	5,898	501.47	2,958
Purchased in 2015	19,844	486.34	9,651
Purchased in 2016	191	525.22	100
Total purchased since plan inception	72,602	423.81	$ 30,770

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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, 2012	34,970	$ 390.58	$ 13,659
Granted during 2013	6,030	362.21	2,184
Forfeited during 2013	(331)	388.29	(129)
Vested during 2013	(11,243)	388.29	(4,366)
Restricted Shares at December 31, 2013	29,426	385.67	11,348
Granted during 2014	7,600	390.92	2,971
Forfeited during 2014	(1,281)	382.53	(490)
Vested during 2014	(3,908)	385.40	(1,506)
Restricted Shares at December 31, 2014	31,837	387.08	12,323
Granted during 2015	15,423	518.20	7,993
Forfeited during 2015	(50)	514.49	(26)
Vested during 2015	(11,411)	388.29	(4,431)
Restricted Shares at December 31, 2015	35,799	443.01	15,859
Granted during 2016	10,183	449.52	4,577
Forfeited during 2016	(100)	482.01	(48)
Vested during 2016	(2,308)	401.38	(926)
Restricted Shares at June 30, 2016	43,574	446.65	$ 19,462

Stock-based compensation expense before tax was $0.8 million and $1.4 million for the three and six months ended June 30, 2016, respectively, compared to $0.9 million and $1.7 million in the corresponding periods of 2015, respectively.

Unrecognized compensation expense before tax under the Restricted Stock Plan was $14.1 million and $11.0 million at June 30, 2016 and December 31, 2015, 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.

Note 10. Recent Accounting Guidance Not Yet Adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued new guidance on how an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance does not apply to contracts within the scope of other standards (for example, insurance contracts or lease contracts). In August 2015, the FASB deferred the effective date of this new guidance by one year. This guidance is now effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The guidance is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In May 2015, the FASB issued guidance on disclosures for investments in certain entities that calculate NAV per share or its equivalent. Under this amendment, investments for which fair value is measured at NAV using the practical expedient should not be categorized in the fair value hierarchy. The guidance is effective for periods beginning after December 15, 2016. Early adoption is permitted. The guidance is not expected to have a material impact on the Company's financial statements.

In May 2015, the FASB issued new guidance which requires insurance entities to provide additional disclosures related to claims liabilities related to short-duration contracts. The additional disclosure requirements include: (1) the claims development information by accident year, net of reinsurance, for the number of years for which claims incurred remain outstanding but not to exceed the most recent 10 years; (2) a reconciliation of claims development information and the aggregate carrying amount of the liability for unpaid claims and claim adjustment expenses; and (3) information about the claims frequency and the amount of the incurred-but-not-reported liabilities for each accident year presented. In addition, a description of the methodologies and assumptions used to determine the amounts disclosed and significant changes in methodologies and assumptions are required. The roll forward of the liability for unpaid claims and claims adjustment expenses, currently required only for annual periods, will also be required for interim periods. The guidance will be effective for annual periods beginning after December 15, 2016 and interim periods thereafter. This guidance is not expected to have a material impact on the Company's financial statements.

In January 2016, the FASB issued updated guidance to address the recognition, measurement, presentation, and disclosure of certain financial instruments. The updated guidance requires equity investments, except those accounted for under the equity method of accounting, that have readily determinable fair value to be measured at fair value with changes in fair value recognized in net income. Equity investments that do not have readily determinable fair values may be remeasured at fair value either upon the occurrence of an observable price change or upon identification of impairment. A qualitative assessment for impairment is required for equity investments without readily determinable fair values. The updated guidance also eliminates the requirement to disclose the method and significant assumptions used to estimate the fair value of financial instruments measured at amortized cost on the balance sheet. The updated guidance is effective for periods beginning after December 15, 2019 and will require recognition of a cumulative effect adjustment at adoption. The Company does not currently expect the adoption of this guidance to impact its financial position or cash flows.

In February 2016, the FASB issued updated guidance to require lessees to recognize a right-to-use asset and a lease liability for leases with terms of more than 12 months. The updated guidance retains the two classifications of a lease as either an operating or finance lease (previously referred to as a capital lease). Both lease classifications require the lessee to record the right-to-use asset and the lease liability based upon the present value of cash flows. Finance leases will reflect the financial arrangement by recognizing interest expense on the lease liability separately from the amortization expense of the right-to-use asset. Operating leases will recognize lease expense (with no separate recognition of interest expense) on a straight-line basis over the term of the lease. The accounting by lessors is not significantly changed by the updated guidance. The updated guidance requires expanded qualitative and quantitative disclosures, including additional information about the amounts recorded in the financial statements. The updated guidance is effective for annual periods beginning after December 15, 2019 and interim periods thereafter, and will require that the earliest comparative period presented include the measurement and recognition of existing leases with an adjustment to equity as if the updated guidance had always been applied. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial position, results of operation or cash flows.

In March 2016, the FASB issued updated guidance to simplify and improve several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liability, and classification on the statement of cash flows. Additionally, the updated guidance allows an entity to make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or recognize forfeitures of awards when they occur. The updated guidance is effective for annual periods beginning after December 15, 2017 and interim periods thereafter. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial position, results of operation or cash flows.

In June 2016, the FASB issued new guidance which requires a financial asset (or a group of financial assets) measured at amortized cost to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value of the amount expected to be collected on the financial asset. The guidance broadens the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually; measurement of expected credit losses will be based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Furthermore, the new guidance requires credit losses relating to available-for-sale securities to be recorded through an allowance for credit losses, and an entity will be able to record reversals of credit losses in current period net income. The guidance is effective for annual periods beginning after December 15, 2020 and interim periods thereafter. The guidance is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.