Zenith National Insurance Corp. and Subsidiaries

Consolidated Financial Statements
as of September 30, 2023 and December 31, 2022 and for the three and nine months ended September 30, 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)	September 30, 2023	December 31, 2022
Assets:		
Investments:		
Fixed maturity securities, at fair value (amortized cost $1,067,366 in 2023 and $954,638 in 2022)	$ 1,054,230	$ 931,231
Equity securities, at fair value (cost $297,211 in 2023 and $334,727 in 2022)	303,737	458,775
Short-term investments, at fair value which approximates cost	39,816	53,376
Mortgage loans, at fair value which approximates cost	217,347	162,019
Other investments	182,639	153,081
Derivative assets, at fair value (cost $18,693 in 2023 and $12,957 in 2022)	8,991	2,034
Total investments	1,806,760	1,760,516
Cash and cash equivalents	37,882	37,736
Accrued investment income	8,984	5,603
Premiums receivable	63,388	56,420
Earned but unbilled premium receivable	3,997	3,997
Reinsurance recoverables	42,803	52,070
Deferred policy acquisition costs	24,214	21,739
Deferred tax asset	65,852	42,795
Operating lease right-of-use assets	24,934	28,102
Goodwill	20,985	20,985
Other assets	60,337	53,074
Total assets	$ 2,160,136	$ 2,083,037
Liabilities:		
Unpaid losses and loss adjustment expenses	$ 1,048,205	$ 1,059,744
Unearned premiums	138,614	121,205
Policyholders’ dividends accrued	33,616	31,514
Long-term debt	38,361	38,340
Income tax payable	9,176	693
Operating lease liabilities	26,547	29,671
Derivative liabilities	365	
Other liabilities	101,614	97,264
Total liabilities	1,396,498	1,378,431
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	401,889	397,682
Retained earnings	375,851	318,733
Accumulated other comprehensive loss	(14,141)	(11,848)
Total stockholders’ equity	763,638	704,606
Total liabilities and stockholders’ equity	$ 2,160,136	$ 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
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2023	2022	2023	2022
Revenues:				
Net premiums earned	$ 189,814	$ 190,285	$ 547,065	$ 542,537
Net investment income	22,422	6,494	53,465	16,242
Net realized gains (losses) on investments	10	(4,797)	103,398	(3,890)
Change in net unrealized gains/losses on fair value option investments	(2,580)	47,944	(101,852)	(35,682)
Net gains on derivatives	3,781	6,140	2,033	6,445
Service fee revenue	2,032	2,158	5,908	5,618
Total revenues	215,479	248,224	610,017	531,270
Expenses:				
Losses and loss adjustment expenses incurred	100,461	105,008	304,404	297,815
Underwriting and other operating expenses:				
Policyholder acquisition costs	41,131	38,422	118,348	110,896
Underwriting and other costs	33,450	33,641	97,681	98,266
Policyholders' dividends	4,012	4,484	14,038	13,896
Interest expense	830	830	2,490	2,490
Total expenses	179,884	182,385	536,961	523,363
Income before tax	35,595	65,839	73,056	7,907
Income tax expense	7,100	13,958	15,938	1,866
Net income	$ 28,495	$ 51,881	$ 57,118	$ 6,041
Change in unrealized gains/losses on investments, net of tax	(1,587)	159	76	(377)
Change in unrealized foreign currency translation adjustments, net of tax	336	(1,479)	(2,369)	(877)
Other comprehensive loss	(1,251)	(1,320)	(2,293)	(1,254)
Total comprehensive income	$ 27,244	$ 50,561	$ 54,825	$ 4,787

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)	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Operating activities:		
Premiums collected	$ 572,828	$ 570,193
Investment income received	28,126	14,917
Losses and loss adjustment expenses paid	(305,479)	(293,656)
Underwriting and other operating expenses paid	(235,247)	(222,226)
Interest paid	(3,292)	(3,292)
Income taxes paid	(29,904)	(11,028)
Net cash provided by operating activities	27,032	54,908
Investing activities:		
Purchases of investments:		
Fixed maturity securities - fair value option	(708,977)	(1,058,622)
Equity securities - fair value option	(51,217)	(54,128)
Mortgage loans	(113,422)	(85,939)
Other investments	(10,003)	(13,726)
Derivatives	(6,669)	(4,125)
Proceeds from maturities and redemptions of investments:		
Fixed maturity securities - fair value option	22,292	278,861
Proceeds from sales of investments:		
Fixed maturity securities - fair value option	565,943	640,444
Equity securities - fair value option	189,173	4,902
Mortgage loans	61,277	2,042
Other investments	6,810	4,082
Derivatives		64
Net decrease in short-term investments	21,188	185,186
Net derivative cash settlements	610	4,679
Capital expenditures and other	(3,774)	(4,870)
Net cash used in investing activities	(26,769)	(101,150)
Financing activities:		
Purchase of Fairfax shares for restricted stock awards	(117)	(9,313)
Net cash used in financing activities	(117)	(9,313)
Net increase (decrease) in cash and cash equivalents	146	(55,555)
Cash and cash equivalents at beginning of period	37,736	104,568
Cash and cash equivalents at end of period	$ 37,882	$ 49,013

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

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

	Nine Months Ended September 30,	
(In thousands)	2023	2022
Reconciliation of net income to net cash provided by operating activities:		
Net income	$ 57,118	$ 6,041
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	1,302	1,486
Net amortization (accretion)	(9,814)	1,612
Net realized losses (gains) on investments	(103,398)	3,890
Change in net unrealized losses on fair value option investments	101,852	35,682
Net gains on derivatives	(2,033)	(6,445)
Equity in losses (earnings) of investee	(9,410)	284
Stock-based compensation expense	4,324	6,153
Decrease (increase) in:		
Accrued investment income	(3,381)	(2,915)
Premiums receivable	(9,355)	(13,602)
Reinsurance recoverables	9,267	(1,783)
Deferred policy acquisition costs	(2,475)	(4,388)
Net income taxes	(13,966)	(9,161)
Increase (decrease) in:		
Unpaid losses and loss adjustment expenses	(11,539)	6,568
Unearned premiums	17,409	23,351
Policyholders' dividends accrued	2,102	1,802
Accrued expenses	(327)	3,388
Interest payable	(823)	(823)
Prepaid policy and guarantee fund assessments	2,515	5,127
Other	(2,336)	(1,359)
Net cash provided by operating activities	$ 27,032	$ 54,908

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

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

	Nine Months Ended September 30,	
(In thousands)	2023	2022
Common stock:	$ 39	$ 39
Additional paid-in capital:		
Beginning of period	397,682	399,159
Stock-based compensation expense	4,324	6,153
Purchases of Fairfax shares for restricted stock awards	(117)	(9,313)
End of period	401,889	395,999
Retained earnings:		
Beginning of period	318,733	314,948
Net income	57,118	6,041
End of period	375,851	320,989
Accumulated other comprehensive loss:		
Beginning of period	(11,848)	(9,050)
Change in unrealized gains/losses on investments, net of tax	76	(377)
Change in unrealized foreign currency translation adjustments, net of tax	(2,369)	(877)
End of period	(14,141)	(10,304)
Total stockholders' equity	$ 763,638	$ 706,723

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 is 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 September 30, 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 September 30, 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 Financial Accounting Standards Board issued new guidance which clarifies the existing fair value measurement guidance for an equity security subject to contractual restrictions that prohibit the sale of the equity security should not consider these contractual restrictions. The new guidance also introduces new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value, including 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 November 15, 2023.

Note 2. Cash and Investments

In April 2023, the Company started investing substantially all of its operating cash balances in a highly liquid overnight money market fund, administered by Bank of America through a daily sweep mechanism. Previously, the Company held all of its operating cash in cash accounts at Bank of America. The invested balance as of September 30, 2023 was $43.0 million and was included as part of net cash and cash equivalents on the Consolidated Balance Sheets.

The cost or amortized cost and fair value of investments recorded at fair value under the fair value option as of September 30, 2023 and December 31, 2022 were as follows:

(In thousands)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
September 30, 2023				
Fair value option investments:				
Fixed maturity securities:				
U.S. Government debt	$ 1,004,845	$ 69	$ (16,972)	$ 987,942
Foreign government debt	15,871	493		16,364
Corporate debt	46,650	3,902	(628)	49,924
Total fixed maturity securities	1,067,366	4,464	(17,600)	1,054,230
Equity securities	297,211	49,331	(42,805)	303,737
Short-term investments	39,816			39,816
Mortgage loans (a)	217,347			217,347
Cost-method partnerships	39,717	11,002	(2,428)	48,291
Affiliate corporate loans	9,322	112		9,434
Contingent consideration receivable	23,903	3,802		27,705
Total fair value option investments	$ 1,694,682	$ 68,711	$ (62,833)	$ 1,700,560
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
Cost-method partnerships	36,233	8,833	(2,540)	42,526
Affiliate corporate loans	9,322		(409)	8,913
Contingent consideration receivable	14,519	1,204		15,723
Total fair value option investments	$ 1,564,835	$ 171,493	$ (63,765)	$ 1,672,563

(a) The increase in mortgage loans in 2023 is primarily due to additional investments, partially offset by sales during the year. During 2023, the Company invested in short-dated residential and commercial mortgage loans sourced through Fairfax's relationship with Kennedy Wilson Inc. ("KW"), including $80.3 million invested in June 2023 in real estate construction loans that KW purchased from Pacific Western Bank.

Fixed maturity securities, including short-term investments, by contractual maturity as of September 30, 2023 were as follows:

(In thousands)	Fair Value
Due in one year or less	$ 332,501
Due after one year through five years	624,523
Due after five years through ten years	137,022
Total	$ 1,094,046

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 September 30, 2023 and December 31, 2022, total investments also included other investments detailed below and derivative contracts described in Note 3.

(In thousands)	September 30, 2023	December 31, 2022
Equity-method common stock (a)	$ 97,209	$ 85,919
Cost-method partnerships, at fair value (cost $39,717 in 2023 and $36,233 in 2022) (b)	48,291	42,526
Affiliate corporate loans, at fair value (amortized cost $9,322 in 2023 and 2022)	9,434	8,913
Contingent consideration receivable, at fair value (cost $23,903 in 2023 and $14,519 in 2022) (c)	27,705	15,723
Total other investments	$ 182,639	$ 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 September 30, 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 in the first quarter of 2023, 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 September 30, 2023, the Company had commitments to invest an additional $3.7 million in partnerships and limited liability companies.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2023	2022	2023	2022
Sales of equity securities (a)			$ 109,758	$ (1,578)
Sales of fixed maturity securities, including short-term investments and other (b)	$ (1,260)	$ (3,193)	(9,172)	(3,366)
Gains (losses) from other investments (c)	1,270	(1,604)	2,812	1,054
Net realized gains (losses) on investments	$ 10	$ (4,797)	$ 103,398	$ (3,890)

(a) Net realized gains on sales of equity securities in the nine months ended September 30, 2023 primarily consisted of $113.2 million of a realized gain on sale of a common stock investment in the first quarter of 2023, $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), partially offset by realized losses of $2.4 million on the sale of one fair value option common stock and $1.0 million "day one" loss recorded as a result of the purchase of fair value option preferred stock and related warrants where cash paid exceeded the fair value of investment acquired.

Net realized losses on sales of equity securities in the nine months ended September 30, 2022, included realized losses of $3.0 million on the sale of three fair value option common stocks, partially offset by a realized gain of $1.4 million related to the redemption of a preferred stock investment in exchange for common stock.

(b) Net realized losses on sales of fixed maturity securities, including short-term investments and other in the three and nine months ended September 30, 2023 were primarily from sales of U.S. government securities.

Net realized losses on sales of fixed maturity securities, including short-term investments and other in the three months ended September 30, 2022 primarily included a realized loss on sale of U.S. government securities of $2.9 million.

Net realized losses on sales of fixed maturity securities, including short-term investments and other in the nine months ended September 30, 2022 primarily included $5.8 million of indemnity-related losses recorded in connection with Atlas Corp.'s ("Atlas") acquisition of Apple Bidco Limited ("AB"), both affiliates of the Company; a realized loss on sale of U.S. government securities of $3.3 million, partially offset by a realized gain of $5.5 million on the conversion of fair value option fixed maturity securities into common stock.

(c) Net realized gains from other investments in the three and nine months ended September 30, 2023 were primarily from realized gains on a distribution from Transportation Recovery Fund, an affiliated limited partnership investment, of $2.6 million.

Net realized losses from other investments in the three months ended September 30, 2022 included an other-than-temporary impairment of $1.7 million for the Company's equity-method investment in Farmers Edge Inc. ("FE"), an affiliate of the Company.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2023	2022	2023	2022
Change in net unrealized gains/losses recognized on fair value option investments	$ (2,580)	$ 47,944	$ (101,852)	$ (35,682)
Less: Net losses (gains) recognized on fair value option investments sold (a)	3,613	113	(97,330)	1,214
Change in net unrealized gains/losses recognized on fair value option investments still held at the reporting date	$ (6,193)	$ 47,831	$ (4,522)	$ (36,896)

(a) Net gain recognized on fair value option investments sold primarily consisted 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2023	2022	2023	2022
Fixed maturity securities (a)	$ 9,133	$ 5,103	$ 25,368	$ 10,606
Equity securities	3,219	1,433	6,989	4,493
Mortgage loans (a)	7,119	2,882	15,738	5,842
Short-term and other investments (a)	1,104	415	2,844	1,153
Net income (loss) from equity-method investment (b)	4,302	(1,477)	9,410	(284)
Subtotal	24,877	8,356	60,349	21,810
Investment expenses	2,455	1,862	6,884	5,568
Net investment income	$ 22,422	$ 6,494	$ 53,465	$ 16,242

(a) During the three and nine months ended September 30, 2023, the Company continued to reinvest proceeds from sales and maturities of short-dated fixed maturity securities in higher yielding 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2023	2022	2023	2022
Exco Resources Inc.	$ 343	$ 1,119	$ 3,310	$ 1,119
Astarta Holdings NV			2,692	4,829
Fairfax India Holdings Corp.	1,647	(708)	2,024	(1,317)
Helios Fairfax Partners Corp.	170	(1,553)	1,218	(1,731)
Peak Achievement Athletics	1,407	646	1,196	190
AGT Food and Ingredients Inc. (1)	1,098		989	639
Alberta ULC	186	(496)	314	(1,068)
Farmers Edge Inc. (2)		(641)	(255)	(1,721)
Boat Rocker Media Inc	(460)	156	(954)	(1,224)
Grivalia Hospitality	(89)		(1,124)	
Income (loss) from equity-method investment	$ 4,302	$ (1,477)	$ 9,410	$ (284)

(1) In the third quarter 2023, as a result of the Company recording its share of AGT Food & Ingredients Inc ("AGT") net income (above), offset by other changes in AGT's equity recorded in Other comprehensive loss, the Company reduced the carrying value in AGT to zero. Based on the latest AGT GAAP financial statements as of December 31, 2022 (audited) and IFRS financial statements as of June 30, 2023 (unaudited), the remaining share of the AGT's reduction in equity not yet recognized in the Company's results as of September 30, 2023 was approximately $2.8 million.

(2) In the first quarter 2023, as a result of recording its share of FE net losses (above) and other changes in FE's equity recorded in Other comprehensive loss, the Company reduced the carrying value of its investment in FE to zero. Based on the latest IFRS financial statements of FE as of June 30, 2023 (unaudited), the remaining share of the FE's reduction in equity not yet recognized in the Company's results as of September 30, 2023 was approximately $1.1 million.

As of September 30, 2023 and December 31, 2022, investments with a fair value of approximately $700 million and $800 million, respectively, were on deposit with regulatory authorities in compliance with insurance company regulations. As of September 30, 2023, the Company had additional qualifying securities with a fair value of approximately $300 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:

	Notional		Fair Value of Derivative	
(In thousands)	Amount	Cost	Assets	Liabilities
September 30, 2023				
CPI-linked derivatives	$ 2,530,000	$ 11,191		
Equity index put options	130,000	5,679	$ 7,422	
Foreign exchange forwards	106,881		621	$ 365
Equity warrants (a)	10,000	1,823	948	
Total		$ 18,693	$ 8,991	$ 365
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 September 30, 2023 and December 31, 2022, equity warrants included 0.5 million and 0.2 million shares of common stock warrants, respectively, received in connection with the Company's investment in the preferred stock of the same issuer in June 2023 and March 2022, respectively.

As of December 31, 2022, equity warrants also 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 from settlements and changes in fair value of the derivative contracts were recorded in net gains on derivatives in the Consolidated Statements of Comprehensive Income and were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2023	2022	2023	2022
Net gains on settlements				
Equity warrants		$ 1	$ 1,366	$ 240
CPI-linked derivatives			(799)	
Foreign exchange forwards	$ 107	2,981	610	4,679
Total	107	2,982	1,177	4,919
Change in fair value				
Equity warrants	(418)	1,029	(1,787)	(608)
CPI-linked derivatives		(20)	799	(14)
Equity index put options	1,743		1,743	
Foreign exchange forwards	2,349	2,149	101	2,148
Total	3,674	3,158	856	1,526
Net gains on derivatives				
Equity warrants	(418)	1,030	(421)	(368)
CPI-linked derivatives		(20)		(14)
Equity index put options	1,743		1,743	
Foreign exchange forwards	2,456	5,130	711	6,827
Total net gains on derivatives	$ 3,781	$ 6,140	$ 2,033	$ 6,445

As of September 30, 2023, counterparties pledged $7.2 million of cash for the Company's benefit. The Company recorded the cash collateral in other assets and recorded a corresponding liability in its Consolidated Balance Sheets. As of 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 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 September 30, 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
September 30, 2023				
Fair value option securities:				
Fixed maturity securities:				
U.S. government debt	$ 987,942		$ 987,942	
Foreign government debt	16,364		16,364	
Corporate debt	49,924		40,687	$ 9,237
Total fixed maturity securities	1,054,230		1,044,993	9,237
Equity securities (b)	303,737	$ 165,929	9,227	103,077
Short-term investments	39,816	39,816		
Mortgage loans	217,347			217,347
Other investments – cost-method partnerships (a) (b)	48,291			
Other investments – affiliate corporate loans	9,434			9,434
Other investments – contingent consideration receivable (a)	27,705			27,705
Total fair value option investments	$ 1,700,560	$ 205,745	$ 1,054,220	$ 366,800
Derivatives:				
Equity warrants	$ 948			$ 948
Equity index put options	7,422		$ 7,422	
Foreign exchange forwards	621		621	
Total derivative assets	8,991		8,043	948
Foreign exchange forwards	(365)		(365)	
Total derivative liabilities	(365)		(365)	
Net derivatives	$ 8,626		$ 7,678	$ 948

		Fair Value Measurement Using		
(In thousands)	Total (a)	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 (b)	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 additional details of investments recorded under other investments.

(b) As of September 30, 2023 and December 31, 2022, certain common stock investments with a fair value of $25.5 million and $30.0 million, respectively, and cost-method partnerships with a fair value of $48.3 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 (b)	Derivatives
Balance as of June 30, 2023	$ 12,633	$ 48,520	$ 253,386	$ 9,497	$ 28,098	$ 1,366
Purchases			12,638			
Sales	(3,798)		(50,297)		(544)	
Realized and unrealized gains/losses included in:						
Net investment income – accretion of discounts			1,340			
Net realized gains (losses) on investments	999		280		(25)	
Change in net unrealized gains/losses on fair value option investments	(597)	(1,302)		(63)	176	
Net losses on derivatives						(418)
Transfers in from Level 1 (c)		55,859				
Balance as of September 30, 2023	$ 9,237	$ 103,077	$ 217,347	$ 9,434	$ 27,705	$ 948
Balance as of December 31, 2022	$ 2,124	$ 38,921	$ 162,019	$ 8,913	$ 15,723	$ 1,879
Purchases	5,339	8,167	114,075		11,759 (b)	990
Sales	(3,798)		(61,277)		(2,260)	(1,500)
Realized and unrealized gains/losses included in:						
Net investment income – accretion of discounts			1,785			
Net realized gains (losses) on investments	999		745		(115)	
Change in net unrealized gains/losses on fair value option investments	4,573	130		521	2,598	
Net losses on derivatives						(421)
Transfers in from Level 1 (c)		55,859				
Balance as of September 30, 2023	$ 9,237	$ 103,077	$ 217,347	$ 9,434	$ 27,705	$ 948

(In thousands)	Corporate Debt	Equity Securities (a)	Mortgage Loans	Affiliate Corporate Loans	Contingent Consideration Receivable	Derivatives
Balance as of June 30, 2022	$ 2,065	$ 20,027	$ 117,935	$ 14,719	$ 17,884	$ 2,415
Purchases			45,911			
Sales			(227)		(595)	
Realized and unrealized gains/losses included in:						
Net investments income – accretion of discounts			44			
Net realized losses on investments					(19)	
Change in net unrealized gains/losses on fair value option investments	(16)	(1,327)		(531)	(279)	
Net gains on derivatives						1,010
Balance as of September 30, 2022	$ 2,049	$ 18,700	$ 163,663	$ 14,188	$ 16,991	$ 3,425
Balance as of December 31, 2021	$ 8,083	$ 23,642	$ 79,337	$ 10,209	$ 18,683	$ 3,214
Purchases		4,167	86,235	5,000		4,125
Sales	(10,335)	(5,548)	(2,042)		(2,095)	(3,532)
Realized and unrealized gains/losses included in:						
Net investments income – accretion of discounts			133			
Net realized gains (losses) on investments	5,523	1,386			(7)	240
Change in net unrealized gains/losses on fair value option investments	(1,222)	(4,947)		(1,021)	410	
Net losses on derivatives						(622)
Balance as of September 30, 2022	$ 2,049	$ 18,700	$ 163,663	$ 14,188	$ 16,991	$ 3,425

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

(b) Purchase of Contingent Consideration Receivable of $11.8 million represents the 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.

(c) Transfers in from Level 1 relate to the Company's investment in Poseidon Corp. (formerly Atlas Corp.) common stock as a result of Atlas' privatization. Atlas stock was publicly traded, while Poseidon Corp. common stock is priced internally using both observable and unobservable inputs. See Note 5.

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 and nine months ended September 30, 2023 and 2022, investment management expenses incurred under these agreements were $1.3 million and $3.9 million, respectively, compared to $1.2 million and $3.8 million, respectively.

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 September 30, 2023 and December 31, 2022 were as follows:

(In thousands)		September 30, 2023		December 31, 2022
Equity securities, at fair value	$	173,308	$	156,716
Other investments:				
Equity-method common stock		97,209		85,919
Partnerships, at fair value		6,673		7,783
Affiliate corporate loans, at fair value		9,434		8,913
Equity warrants, at fair value				1,523
Total affiliated investment assets	$	286,624	$	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:

	Three Months Ended September 30,				Nine Months Ended September 30,			
(In thousands)		2023		2022		2023		2022
Included in net income:								
Net investment income	$	7,408	$	585	$	15,563	$	3,435
Net realized gains (losses) on investments		1,179		(1,605)		3,840		(5,630)
Change in net unrealized gains/losses on fair value option investments		(12,757)		(2,811)		(13,311)		(18,906)
Net gains (losses) on derivatives				1,339		(1,390)		(106)
Included in other comprehensive loss:								
Change in unrealized gains/losses on investments, before tax		(2,008)		202		96		(476)
Change in unrealized foreign currency translation adjustments, before tax		426		(1,873)		(2,998)		(1,111)
Total	$	(5,752)	$	(4,163)	$	1,800	$	(22,794)

On September 13, 2023, Fairfax, through its subsidiaries acquired an additional 10.01% stake (600,946 shares) in Ovostar Union Public Company (“Ovostar”). This transaction increased Fairfax's ownership in Ovostar’s from 17.5% to 27.5%. Fairfax is anticipated to secure a board seat by the upcoming year. Based on current available information, Fairfax concluded it has significant influence over Ovostar, and commenced equity-method of accounting on September 13, 2023 under IFRS. The Company's share of this acquisition was $9.8 million, and elected to account for its investment using the fair value option accounting under GAAP. As of September 30, 2023, the carrying value of the Company's investment in Ovostar affiliated common stock was $8.2 million.

In September, 2023, HWIC J, a wholly-owned subsidiary of Fairfax, paid a cash distribution of $1.8 million to the Company, which was recorded as dividend income. As of September 30, 2023 and December 31, 2022, the carrying value of the Company's investment in HWIC J was $11.7 million and $15.6 million, respectively.

In July 2023, the Company sold two of its mortgage loan investments acquired in June 2023 as part of the KW/Pacific Western Bank transaction for $19.9 million in cash to HWIC Property Fund II, a wholly-owned subsidiary of Fairfax. Proceeds represent fair value at the time of sale, which also approximates amortized cost.

In March 2023, Fairfax finalized the agreement with ONX Inc. (“ONX”) to purchase debentures, warrants and additional preferred shares. As a result of these additional purchases, Fairfax’s actual and potential voting rights increased to approximately 11% and 22%, respectively. Fairfax also has the right to appoint one member of the board (out of 3 or 4 total expected board members). As such, Fairfax concluded that it has significant influence over ONX and, as a result, commenced equity method accounting for its investment in ONX on March 31, 2023 under IFRS. The Company continued accounting for its affiliated investments in ONX using the fair value option under GAAP. As of September 30, 2023, the carrying value of the Company's investment in ONX affiliated common and preferred stock was $0.5 million and $9.0 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 nine months ended September 30, 2023 and 2022, the Company paid $1.8 million and $2.5 million, respectively, to Atlas and recorded total realized losses of $0.2 million and $5.8 million, respectively, related to the AB Indemnity and additional related foreign exchange realized losses. As of September 30, 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 $9.2 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 September 30, 2023 and December 31, 2022, the carrying value of the Company’s equity-method investment in GH affiliated common stock was $12.6 million and $7.1 million, respectively.

The Company owns a fair value investment in the common stock of Recipe, an affiliate of Fairfax and the Company. On October 28, 2022, Fairfax, through its subsidiaries including the Company, acquired all of the multiple voting shares and subordinate voting shares in the capital of Recipe, other than those shares owned by Fairfax and its affiliates, at a cash purchase price of Cdn$20.73 per share. The transaction increased Fairfax’s equity ownership in Recipe resulting in Fairfax consolidating Recipe that has also been delisted from the TSX. The Company's share of this additional investment in Recipe in October 2022 was Cdn$11.0 million. The Company continues to account for its affiliated common stock investment in Recipe using the fair value option under GAAP. As of September 30, 2023 and December 31, 2022, the carrying value of the Company's fair value option investment in Recipe was $17.3 million and $17.2 million, respectively.

The Company owns a fair value option investment in the common stock of Stelco Holdings Inc.("Stelco"), a Canadian publicly traded company. In August 2022, Stelco repurchased 5.1 million of its outstanding common shares under its substantial issuer bid which resulted in the loss of a certain right held by another investor and Fairfax's ownership interest in Stelco increasing to 20.5%. Accordingly, Stelco became an affiliate of Fairfax and the Company and Fairfax commenced applying the equity-method of accounting under IFRS. The Company continues to account for its affiliated common stock investment in Stelco using the fair value option under GAAP. As of September 30, 2023, and December 31, 2022, the carrying value of the Company's investment in Stelco was $47.8 million and $56.3 million, respectively.

In March 2022, the Company acquired 0.5 million 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 cancellation, 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 Luxembourg 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 agreements were renewed effective May 1, 2022, and then again effective May 1, 2023. 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. This agreement was renewed effective July 1, 2023. 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)	September 30, 2023	December 31, 2022
Assets:		
Premiums receivable	$ 10,760	$ 9,550
Deferred policy acquisition costs	6,924	6,666
Liabilities:		
Unpaid losses and loss adjustment expenses	37,824	19,758
Unearned premiums	19,052	18,399

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

(In thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Revenues:				
Net premium earned	$ 11,037	$ 7,535	$ 31,399	$ 18,733
Expenses:				
Loss and loss adjustment expenses incurred	7,617	5,241	20,264	12,236
Policy acquisition costs	4,076	2,625	11,561	6,409

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 September 30, 2023, and December 31, 2022, the Company recorded net receivables and net payables for reinsurance of $0.3 million and $0.1 million, respectively, related to the reinsurance transactions with affiliates of Fairfax. In the nine months ended September 30, 2023 and 2022, the Company recorded $2.9 million and $3.0 million of ceded premium earned from the affiliates, respectively.

In the nine months ended September 30, 2023 and 2022, Zenith National paid Fairfax $0.1 million and $9.3 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 nine months ended September 30, 2023 and 2022, service fee income recorded in the Consolidated Statements of Comprehensive Income (Loss), for RiverStone was $4.8 million and $4.5 million, respectively, and for Seneca was $52,000 and $85,000, respectively. As of September 30, 2023 and December 31, 2022, the Company recorded a net liability of $5.5 million and $5.9 million, respectively, to RiverStone comprised of a loss fund held for RiverStone claims of $6.0 million and $6.4 million, respectively, offset by service fee receivables from RiverStone of $0.5 million for both years. As of September 30, 2023 and December 31, 2022, the loss fund held for Seneca claims were $0.4 million.

Note 6. Reinsurance Recoverable

Amounts recoverable for paid and unpaid losses from reinsurers as of September 30, 2023 and December 31, 2022 and their respective A.M. Best ratings were as follows:

(In thousands)	September 30, 2023 (a)	December 31, 2022 (a)	A.M. Best Rating (b)	A.M. Best Rating Date
General Reinsurance Corp.	$ 19,332	$ 21,543	A++	04/2023
Transatlantic Reinsurance Company	4,998	10,980	A++	01/2023
Hannover Rueck SE	4,159	5,453	A+	12/2022
Partner Reinsurance Company	4,078	5,292	A+	04/2023
Zenith Insurance 2019 AG IC 1 LLC	1,869	1,626	NR	
Factory Mutual Insurance Company	1,508	812	A+	01/2023
All others (c)	6,859	6,364		
Total	$ 42,803	$ 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 September 30, 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)	September 30, 2023	September 30, 2022
Beginning of period, net of reinsurance	$ 1,010,651	$ 1,003,800
Incurred claims:		
Current accident year	335,305	332,164
Prior accident years	(30,901)	(34,349)
Total incurred claims	304,404	297,815
Payments:		
Current accident year	(99,771)	(87,642)
Prior accident years	(206,383)	(204,746)
Total payments	(306,154)	(292,388)
End of period, net of reinsurance	1,008,901	1,009,227
Receivable from reinsurers for unpaid losses	39,304	46,417
End of period, gross of reinsurance	$ 1,048,205	$ 1,055,644

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	(62,646)
Vested/transferred	(95,739)
Purchased and available for future grants	(4,474)
Available for future purchases as of September 30, 2023	337,141

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
Forfeited 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	(743)	441.56	(328)
Transfers during 2023	(154)	441.05	(68)
Vested during 2023	(10,377)	506.66	(5,258)
Restricted Shares as of September 30, 2023	62,646	453.75	$ 28,426

In the three and nine months ended September 30, 2023, stock-based compensation expense before tax was $1.4 million and $4.3 million, respectively, compared to $2.0 million and $6.2 million for the same periods in 2022.

As of September 30, 2023 and December 31, 2022, unrecognized compensation expense before tax under the Restricted Stock Plan was $13.9 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.