# Zenith National Insurance Corp. and Subsidiaries

## Consolidated Financial Statements
## as of June 30, 2026 and December 31, 2025 and for the three and six months ended June 30, 2026 and 2025
## (unaudited)

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# Consolidated Financial Statements (unaudited)

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

| (In thousands, except par value) | June 30, 2026 | December 31, 2025 |
|---|---|---|
| **Assets:** | | |
| Investments: | | |
| Fixed maturity securities, at fair value (amortized cost $1,133,802 in 2026 and $930,446 in 2025) | $ 1,137,524 | $ 951,122 |
| Equity securities, at fair value (cost $250,878 in 2026 and $285,808 in 2025) | 292,711 | 307,097 |
| Equity-method investments | 269,383 | 232,775 |
| Mortgage loans, at fair value (amortized cost $132,632 in 2026 and $198,316 in 2025) | 120,751 | 181,282 |
| Other investments, at fair value (cost $60,001 in 2026 and $67,955 in 2025) | 51,420 | 60,489 |
| Short-term investments, at fair value which approximates cost | 11,623 | 9,358 |
| Derivative assets, at fair value (cost zero in 2026 and $1,823 in 2025) | 5,378 | 391 |
| Total investments | 1,888,790 | 1,742,514 |
| Cash and cash equivalents | 57,159 | 84,370 |
| Accrued investment income | 10,941 | 10,063 |
| Premiums receivable | 90,750 | 76,618 |
| Earned but unbilled premium receivable | | 1,619 |
| Reinsurance recoverables | 73,571 | 68,483 |
| Deferred policy acquisition costs | 31,487 | 28,042 |
| Deferred tax asset | 56,941 | 65,231 |
| Income tax receivable | | 115 |
| Operating lease right-of-use assets | 31,604 | 35,397 |
| Goodwill | 20,985 | 20,985 |
| Other assets | 44,618 | 53,954 |
| **Total assets** | **$ 2,306,846** | **$ 2,187,391** |
| **Liabilities:** | | |
| Unpaid losses and loss adjustment expenses | $ 1,125,706 | $ 1,077,994 |
| Unearned premiums | 175,472 | 150,200 |
| Policyholders dividends accrued | 22,655 | 23,904 |
| Long-term debt | 38,440 | 38,426 |
| Income tax payable | 2,161 | |
| Operating lease liabilities | 33,419 | 37,160 |
| Derivative liabilities | | 2,295 |
| Other liabilities | 114,131 | 116,464 |
| **Total liabilities** | **1,511,984** | **1,446,443** |
| Commitments and contingencies (see Note 9) | | |
| **Stockholders' equity:** | | |
| Common stock, $1 par value, 40 authorized shares; 39 shares issued and outstanding | 39 | 39 |
| Additional paid-in capital | 401,499 | 400,635 |
| Retained earnings | 406,174 | 350,683 |
| Accumulated other comprehensive loss | (12,850) | (10,409) |
| **Total stockholders' equity** | **794,862** | **740,948** |
| **Total liabilities and stockholders' equity** | **$ 2,306,846** | **$ 2,187,391** |

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

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (In thousands) | 2026 | 2025 | 2026 | 2025 |
| **Revenues:** | | | | |
| Net premiums earned | $ 210,811 | $ 183,530 | $ 404,516 | $ 357,631 |
| Net investment income | 16,444 | 12,351 | 34,178 | 20,899 |
| Net realized gains (losses) on investments and other | 30,846 | (520) | 28,189 | 22,183 |
| Change in net unrealized gains/losses on fair value option investments | (10,370) | 5,132 | 7,628 | 14,186 |
| Net gains (losses) on derivatives | 3,791 | (9,802) | 8,179 | (10,154) |
| Service fee revenue | 2,319 | 2,636 | 5,012 | 5,453 |
| Total revenues | 253,841 | 193,327 | 487,702 | 410,198 |
| **Expenses:** | | | | |
| Losses and loss adjustment expenses incurred | 129,674 | 114,425 | 256,679 | 224,927 |
| Underwriting and other operating expenses: | | | | |
| Policyholder acquisition costs | 46,664 | 41,977 | 89,362 | 80,849 |
| Underwriting and other costs | 31,940 | 33,490 | 66,112 | 70,509 |
| Policyholders dividends | 2,502 | 3,319 | 4,458 | 5,869 |
| Interest expense | 830 | 830 | 1,660 | 1,660 |
| Total expenses | 211,610 | 194,041 | 418,271 | 383,814 |
| Income (loss) before tax | 42,231 | (714) | 69,431 | 26,384 |
| Current tax expense (benefit) | 215 | (3,467) | 5,002 | 820 |
| Deferred tax expense | 7,657 | 3,367 | 8,938 | 5,455 |
| Total income tax expense (benefit) | 7,872 | (100) | 13,940 | 6,275 |
| **Net income (loss)** | **$ 34,359** | **$ (614)** | **$ 55,491** | **$ 20,109** |
| Change in unrealized gains/losses on investments, net of tax | (82) | 244 | 1,441 | 932 |
| Change in unrealized foreign currency translation adjustments, net of tax | (3,664) | (670) | (3,882) | (8,943) |
| **Other comprehensive loss** | **(3,746)** | **(426)** | **(2,441)** | **(8,011)** |
| **Total comprehensive income (loss)** | **$ 30,613** | **$ (1,040)** | **$ 53,050** | **$ 12,098** |

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

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

| (In thousands) | Six Months Ended June 30, 2026 | Six Months Ended June 30, 2025 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Premiums collected, net of reinsurance | $ 416,298 | $ 370,500 |
| Investment income received | 24,342 | 23,199 |
| Losses and loss adjustment expenses paid, net of reinsurance | (212,603) | (205,030) |
| Underwriting and other operating expenses paid | (153,567) | (153,611) |
| Interest paid | (1,646) | (1,646) |
| Income taxes paid | (2,726) | (14,000) |
| Net cash provided by operating activities | 70,098 | 19,412 |
| **Cash flows from investing activities:** | | |
| Purchases of investments: | | |
| Fixed maturity securities - fair value option | (314,777) | (23,154) |
| Equity securities - fair value option | (15,800) | (5,836) |
| Equity-method investments | (3,719) | |
| Mortgage loans | (1,700) | (7,428) |
| Other investments | (2,926) | (2,249) |
| Derivatives | (212) | |
| Proceeds from maturities and redemptions of investments: | | |
| Fixed maturity securities - fair value option | 67,086 | |
| Mortgage loans | 5,198 | |
| Proceeds from sales of investments: | | |
| Fixed maturity securities - fair value option | 54,970 | 27,462 |
| Equity securities - fair value option | 70,643 | 11,948 |
| Equity-method investments | 5,321 | |
| Mortgage loans | 31,163 | 11,234 |
| Other investments | 3,185 | 2,881 |
| Net increase in short-term investments | (5,429) | (20,568) |
| Net derivative cash settlements | 993 | (3,665) |
| Proceeds from sale of office building | 12,785 | |
| Capital expenditures and other | (1,480) | (2,676) |
| Net cash used in investing activities | (94,699) | (12,051) |
| **Cash flows from financing activities:** | | |
| Purchase of shares for restricted stock awards | (2,610) | (105) |
| Net cash used in financing activities | (2,610) | (105) |
| Net increase (decrease) in cash and cash equivalents | (27,211) | 7,256 |
| Cash and cash equivalents at beginning of period | 84,370 | 50,623 |
| **Cash and cash equivalents at end of period** | **$ 57,159** | **$ 57,879** |

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

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

| | Six Months Ended June 30, | |
|---|---|---|
| (In thousands) | 2026 | 2025 |
| Reconciliation of net income to net cash provided by operating activities: | | |
| Net income | $ 55,491 | $ 20,109 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation expense | 1,040 | 1,161 |
| Net accretion | (4,478) | (5,494) |
| Net realized gains on investments | (28,189) | (22,183) |
| Change in net unrealized gains/losses on fair value option investments | (7,628) | (14,186) |
| Net losses (gains) on derivatives | (8,179) | 10,154 |
| (Income) loss from equity-method investments | (3,434) | 9,074 |
| Stock-based compensation expense | 3,474 | 4,073 |
| Decrease (increase) in: | | |
| Accrued investment income | (878) | (265) |
| Premiums receivable | (14,654) | (13,201) |
| Reinsurance recoverables | (5,088) | (2,120) |
| Deferred policy acquisition costs | (3,445) | (3,634) |
| Net income taxes | 11,214 | (7,725) |
| Increase (decrease) in: | | |
| Unpaid losses and loss adjustment expenses | 47,712 | 21,716 |
| Unearned premiums | 25,272 | 28,017 |
| Policyholders dividends accrued | (1,249) | (1,205) |
| Accrued expenses | 573 | (3,230) |
| Prepaid policy and guarantee fund assessments | 2,523 | 462 |
| Equities in pools | | (39) |
| Other | 21 | (2,072) |
| **Net cash provided by operating activities** | **$ 70,098** | **$ 19,412** |

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

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

| | Six Months Ended June 30, | |
|---|---|---|
| (In thousands) | 2026 | 2025 |
| **Common stock:** | $ 39 | $ 39 |
| **Additional paid-in capital:** | | |
| Beginning of period | 400,635 | 397,429 |
| Stock-based compensation expense | 3,474 | 4,073 |
| Purchases of shares for restricted stock awards | (2,610) | (105) |
| End of period | 401,499 | 401,397 |
| **Retained earnings:** | | |
| Beginning of period | 350,683 | 336,568 |
| Net income | 55,491 | 20,109 |
| End of period | 406,174 | 356,677 |
| **Accumulated other comprehensive loss:** | | |
| Beginning of period | (10,409) | (10,913) |
| Change in unrealized gains/losses on investments, net of tax | 1,441 | 932 |
| Change in unrealized foreign currency translation adjustments, net of tax | (3,882) | (8,943) |
| End of period | (12,850) | (18,924) |
| **Total stockholders' equity** | **$ 794,862** | **$ 739,189** |

The accompanying notes are an integral part of these Consolidated 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 in the property-casualty business for California agriculture ("Agribusiness P&C"). Unless otherwise indicated, all references to the “Company” refer to Zenith National together with its subsidiaries.

The accompanying unaudited Consolidated Financial Statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (including normal, recurring adjustments) necessary for a fair presentation of the Company’s financial position and results of operations for the periods presented have been included. The results of operations for an interim period are not necessarily indicative of the results for an entire year. These Consolidated Financial Statements should be read in conjunction with the Audited Consolidated Financial Statements and Notes thereto of the Company for the year ended December 31, 2025.

### *Recent Accounting Standards Not Yet Adopted*

*Internal Use Software - Targeted Improvements*

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

*Reporting Comprehensive Income - Expense Disaggregation Disclosures*

In November 2024, the FASB issued new guidance requiring the disaggregation of certain expenses in the notes of the financials to provide enhanced transparency into the expense captions presented on the face of the income statement. This guidance was further updated in January 2025. For public business entities, the guidance is effective for annual periods beginning after December 15, 2026, and for interim periods with annual reporting periods beginning after December 15, 2027. 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 August 14, 2026.

## Note 2. Cash, Cash Equivalents and Investments

Cash and cash equivalents include substantially all of the Company's operating cash balances that are invested in a highly liquid overnight money market fund administered by Bank of America through a daily sweep mechanism. The invested cash balance as of June 30, 2026 and December 31, 2025 was $49.9 million and $83.6 million, respectively.

The cost or amortized cost and fair value of investments recorded at fair value under the fair value option ("FVO") in the Consolidated Balance Sheets as of June 30, 2026 and December 31, 2025 were as follows:

| (In thousands) | Cost or Amortized Cost | Gross Unrealized Gains | Gross Unrealized (Losses) | Fair Value (a) |
|---|---|---|---|---|
| **June 30, 2026** | | | | |
| Fixed maturity securities: | | | | |
| U.S. government debt | $ 1,082,557 | $ 5,661 | $ (2,693) | $ 1,085,525 |
| Foreign government debt | 15,041 | 232 | | 15,273 |
| Corporate debt | 29,770 | 441 | | 30,211 |
| Preferred stock - mandatory redeemable | 6,434 | 81 | | 6,515 |
| Total fixed maturity securities | 1,133,802 | 6,415 | (2,693) | 1,137,524 |
| Equity securities | 250,878 | 89,275 | (47,442) | 292,711 |
| Short-term investments | 11,623 | | | 11,623 |
| Mortgage loans (b) | 132,632 | | (11,881) | 120,751 |
| Partnerships and LLCs (c) | 40,215 | 9,586 | (1,258) | 48,543 |
| Contingent consideration receivables (c) | 19,786 | | (16,909) | 2,877 |
| Total fair value option investments | $ 1,588,936 | $ 105,276 | $ (80,183) | $ 1,614,029 |
| **December 31, 2025** | | | | |
| Fixed maturity securities: | | | | |
| U.S. government debt | $ 884,441 | $ 20,500 | $ (398) | $ 904,543 |
| Foreign government debt | 14,890 | | (273) | 14,617 |
| Corporate debt | 31,115 | 847 | | 31,962 |
| Total fixed maturity securities | 930,446 | 21,347 | (671) | 951,122 |
| Equity securities | 285,808 | 72,833 | (51,544) | 307,097 |
| Short-term investments | 9,358 | | | 9,358 |
| Mortgage loans (b) | 198,316 | | (17,034) | 181,282 |
| Partnerships and LLCs (c) | 38,674 | 8,794 | (1,787) | 45,681 |
| Affiliate corporate loans (c) | 8,042 | | (52) | 7,990 |
| Contingent consideration receivables (c) | 21,239 | | (14,421) | 6,818 |
| Total fair value option investments | $ 1,491,883 | $ 102,974 | $ (85,509) | $ 1,509,348 |

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

(b) As of June 30, 2026, the Company had two mortgage loans with principal amounts over 90 days past due and two mortgage loans with interest payments over 90 days past due. The combined fair value of these loans was $30.6 million, which was $4.8 million less than their aggregate unpaid principal balance. No loan was under non-accrual status as of June 30, 2026.

As of December 31, 2025, the Company had one mortgage loan with principal amounts over 90 days past due and one mortgage loan with interest payments over 90 days past due. The combined fair value of these loans was $28.9 million, which was $0.9 million less than their aggregate unpaid principal balance. Additionally, the company had one commercial loan with a fair value of $21.1 million in non-accrual status as of December 31, 2025. See Note 5, Related Party Transactions, for more details.

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

Fixed maturity securities, including short-term investments, by contractual maturity as of June 30, 2026 were as follows:

| (In thousands) | Fair Value |
|---|---|
| Due in one year or less | $ 24,695 |
| Due after one year through five years | 1,097,111 |
| Due after five years through ten years | 17,630 |
| Due after ten years | 9,711 |
| Total | $ 1,149,147 |

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 June 30, 2026, the Company had commitments to invest an additional $5.1 million in partnerships and LLCs.

The following table sets forth additional information for the Company’s equity-method investments as well as investments that would have been accounted for under the equity-method, absent the fair value option election as of June 30, 2026 and December 31, 2025. These investments are considered related party investments for the Company as the underlying entities are affiliates of Fairfax and the Company. See Note 5, Related Party Transactions, for more information.

| | Carrying Value | | Carrying Value less Underlying Net Asset Value | | Quoted Market Value | | Relative Economic Ownership |
|---|---|---|---|---|---|---|---|
| | June 30, | December 31, | June 30, | December 31, | June 30, | December 31, | June 30, |
| (In thousands) | 2026 | 2025 | 2026 | 2025 | 2026 | 2025 | 2026 |
| **Equity-method investments *** | | | | | | | |
| **Common stock** | | | | | | | |
| Sleep Country Canada Holdings Inc. | $ 75,983 | $ 73,281 | | | | | 12.5% |
| FF Meadow Holdings Limited | 47,829 | 50,712 | | | | | 16.9% |
| Fairfax India Holdings Corp. | 26,263 | 28,602 | $ (664) (a) | $ (639) (a) | $ 25,656 | $ 23,875 | 1.1% |
| Peak Achievement Athletics | 21,849 | 23,920 | | | | | 5.1% |
| Exco Resources Inc. | 13,416 | 12,622 | (1,230) (a) | (1,230) (a) | | | 1.3% |
| Grivalia Hospitality S.A. | 11,440 | 11,662 | 2,404 (a) | 2,431 (a) | | | 1.8% |
| AGT Food Ingredients Inc. | 9,537 | | 10,818 (b) | | 13,892 | | 5.3% |
| Astarta Holdings NV | 9,377 | 8,874 | (7,543) (c) | (6,648) (c) | 10,277 | 10,130 | 3.3% |
| Helios Fairfax Partners Corp. | 6,565 | 5,537 | (13,143) (c) | (13,143) (c) | 8,029 | 6,690 | 4.3% |
| Alberta ULC | 4,039 | 4,397 | | | | | 5.0% |
| KEG Restaurants LTD | 4,117 | 3,929 | 2,404 (a) | | | | 3.0% |
| Total equity-method common stock | $ 230,415 | $ 223,536 | | | | | |
| **Partnerships and LLCs** | | | | | | | |
| KW-F SBG LP | $ 5,004 | $ 5,035 | | | | | 5.0% |
| KWF Multifamily Member LLC | 7,241 | 4,204 | | | | | 5.6% |
| KW-F CITY CENTER, LLC | 20,203 | | | | | | 15.0% |
| KW-F WM8-10, LLC | 4,940 | | | | | | 20.0% |
| KONA BIDCO LLC | 1,580 | | | | | | 0.3% |
| Total equity-method partnerships and LLCs | 38,968 | 9,239 | | | | | |
| Total equity-method investments | $ 269,383 | $ 232,775 | | | | | |

| | Carrying Value | | Relative Economic Ownership |
|---|---|---|---|
| | June 30, | December 31, | June 30, |
| (In thousands) | 2026 | 2025 | 2026 |
| **Fair value option elected investments** | | | |
| **Fixed maturity securities, at fair value** | | | |
| Kona Bidco, LLC - mandatory redeemable | $ 6,515 | | 0.6% |
| **Common stock, at fair value **** | | | |
| Poseidon Corp. | $ 52,013 | $ 72,077 | 0.6% |
| Recipe Unlimited Corp. | 26,518 | 27,446 | 3.0% |
| HWIC Asia Fund J | 22,107 | 17,459 | 27.9% |
| HWIC Asia Fund C | 4,611 | 4,245 | 19.6% |
| HWIC Asia Fund H | 3,266 | 4,021 | 1.5% |
| Ovostar Union Corp. | 8,939 | 9,346 | 8.0% |
| **Preferred stock, at fair value** | | | |
| Atlas Corp. | $ 10,000 | $ 9,974 | 3.3% |
| Blizzard Vacatia Equity Partners LLC | 5,335 | 5,000 | 1.9% |
| **Partnerships, at fair value **** | | | |
| Waterous Energy Fund III LP | $ 2,075 | $ 2,081 | 0.6% |

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

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

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

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

(c) Represents primarily OTTI write-downs previously recorded.

Net investment income was as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (In thousands) | 2026 | 2025 | 2026 | 2025 |
| Fixed maturity securities | $ 11,442 | $ 10,798 | $ 21,984 | $ 21,401 |
| Mortgage loans | 2,727 | 3,353 | 5,841 | 6,932 |
| Equity securities | 4,122 | 2,951 | 5,908 | 4,768 |
| Short-term investments | 88 | 110 | 278 | 274 |
| Other investments | 423 | 460 | 1,151 | 1,132 |
| Income (loss) from equity-method investments (a) | (318) | (3,049) | 3,434 | (9,074) |
| Subtotal | 18,484 | 14,623 | 38,596 | 25,433 |
| Investment expenses | 2,040 | 2,272 | 4,418 | 4,534 |
| Net investment income | $ 16,444 | $ 12,351 | $ 34,178 | $ 20,899 |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (In thousands) | 2026 | 2025 | 2026 | 2025 |
| Astarta Holdings NV | $ 1,467 | $ 2,877 | $ 1,467 | $ 2,877 |
| Sleep Country Canada Holdings Inc. | 970 | 632 | 1,384 | 1,980 |
| Helios Fairfax Partners Corp. | 504 | 37 | 1,287 | (1,738) |
| Exco Resources Inc. | 48 | $ (334) | 748 | (518) |
| KWF Multifamily | 270 | | 270 | |
| Keg Restaurants Ltd | 193 | | 252 | |
| Boat Rocker Media Inc. | | (3,856) | | (6,228) |
| KW-F SBG LLC | (14) | | (31) | |
| Peak Achievement Athletics | 429 | | (58) | (1,570) |
| Grivalia Hospitality S.A. | (272) | (271) | (250) | (684) |
| Alberta ULC | (170) | 79 | (283) | 210 |
| Fairfax India Holdings Corp. | (3,897) | (2,213) | (316) | (2,589) |
| FF Meadow Holdings Limited | 154 | | (1,036) | (814) |
| Income (loss) from equity-method investments | $ (318) | $ (3,049) | $ 3,434 | $ (9,074) |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (In thousands) | 2026 | 2025 | 2026 | 2025 |
| Equity-method investments (a) | $ (12) | $ (26) | $ (157) | $ 15,159 |
| Equity securities (b) | 28,571 | $ | 27,336 | 3,948 |
| Fixed maturity securities, including short-term investments | | (130) | (7) | 3,414 |
| Mortgage loans | (3,756) | | (4,482) | |
| Other investments | 348 | 859 | 2,047 | 880 |
| Other gain (loss) (c) | 5,695 | (1,223) | 3,452 | (1,218) |
| Net realized gains (losses) on investments and other | $ 30,846 | $ (520) | $ 28,189 | $ 22,183 |

(a) Net realized gains from equity-method investments in the six months ended June 30, 2025 included a dilution gain of $14.8 million for Peak Achievement Athletics ("PAA") recognized in March 2025. See Note 5, Related Party Transactions.

(b) Net realized gains on equity securities in the three and six months ended June 30, 2026 are primarily due to the partial sale of Poseidon Corp. which resulted in a $30.5 million realized gain which was previously recognized in change in the unrealized gain in the three months ended March 31, 2026. See Note 5, Related Party Transactions.

(c) Net other realized gain in the three and six months ended June 30, 2026 included a realized gain of $5.6 million on the sale of a Company-owned building (the building was recorded as part of Other Assets on the Consolidated Balance Sheets, with a net book value of $7.2 million).

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (In thousands) | 2026 | 2025 | 2026 | 2025 |
| Change in net unrealized gains/losses recognized on fair value option investments | $ (10,370) | $ 5,132 | $ 7,628 | $ 14,186 |
| Less: Net losses (gains) recognized on fair value option investments sold | (10,551) | 2,093 | (4,298) | (3,945) |
| Change in net unrealized gains/losses recognized on fair value option investments still held at the reporting date | $ 181 | $ 3,039 | $ 11,926 | $ 18,131 |

As of June 30, 2026 and December 31, 2025, investments with a fair value of approximately $680 million and $700 million, were on deposit with regulatory authorities in compliance with insurance company regulations. As of June 30, 2026, the Company had additional qualifying securities with a fair value of approximately $411 million available for deposit.

**Note 3. Derivative Contracts**

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

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

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

| (In thousands) | Notional Amount | Cost | Fair Value of Derivative Assets | Fair Value of Derivative Liabilities |
|---|---|---|---|---|
| **June 30, 2026** | | | | |
| Foreign exchange forwards | $ 211,106 | | $ 5,378 | |
| Total | | | $ 5,378 | |
| **December 31, 2025** | | | | |
| Foreign exchange forwards | $ 185,121 | | | $ 2,295 |
| Equity warrants (a) | 10,000 | $ 1,823 | $ 391 | |
| Total | | $ 1,823 | $ 391 | $ 2,295 |

(a) In June 2026, as a result of the Kennedy-Wilson Holdings, Inc. ("KW") privatization transaction by Fairfax, the equity warrants were extinguished at zero value See Note 5, Related Party Transactions.

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

| (In thousands) | Three Months Ended June 30, 2026 | Three Months Ended June 30, 2025 | Six Months Ended June 30, 2026 | Six Months Ended June 30, 2025 |
|---|---|---|---|---|
| **Net gains (losses) on settlements** | | | | |
| Foreign exchange forwards | $ 2,473 | $ (7,926) | $ 1,109 | $ (3,664) |
| Equity warrants | (1,823) | | (2,035) | |
| Total | 650 | (7,926) | (926) | (3,664) |
| **Change in fair value** | | | | |
| Foreign exchange forwards | 1,709 | (1,643) | 7,673 | (6,056) |
| Equity warrants | 1,432 | (233) | 1,432 | (434) |
| Total | 3,141 | (1,876) | 9,105 | (6,490) |
| **Net gains (losses) on derivatives** | | | | |
| Foreign exchange forwards | 4,182 | (9,569) | 8,782 | (9,720) |
| Equity warrants | (391) | (233) | (603) | (434) |
| Total net gains (losses) on derivatives | $ 3,791 | $ (9,802) | $ 8,179 | $ (10,154) |

As of June 30, 2026 and December 31, 2025, counterparties had no amounts pledged for the Company's benefit. Likewise, the Company had no amounts pledged as contractually required collateral to its counterparties for derivative contracts as of those dates.

**Note 4. Fair Value Measurements**

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

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

The three hierarchy levels are defined as follows:

**Level 1**— Inputs represent unadjusted quoted prices for identical instruments exchanged in active markets. The fair value of the Company's Level 1 investments are priced based on published quotes in active markets.

**Level 2**— Inputs include directly or indirectly observable inputs (other than Level 1 inputs) such as quoted prices for similar financial instruments exchanged in active markets, quoted prices for identical or similar financial instruments exchanged in inactive markets and other market observable inputs. The fair value of the vast majority of the Company's Level 2 investments are priced based on information provided by independent pricing service providers, while much of the remainder are based primarily on non-binding third party broker-dealer quotes that are prepared using Level 2 inputs. Where third party broker-dealer quotes are used, typically at least one quote is obtained from a broker-dealer with particular expertise in the instrument being priced.

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

The following table presents the Company's investments measured at fair value on a recurring basis as of June 30, 2026 and December 31, 2025 classified by the valuation hierarchy discussed previously:

| | | Fair Value Measurement Using | | |
|---|---|---|---|---|
| (In thousands) | Total (a) | Level 1 | Level 2 | Level 3 |
| **June 30, 2026** | | | | |
| Fair value option securities: | | | | |
| Fixed maturity securities: | | | | |
| U.S. government debt | $ 1,085,525 | | $ 1,085,525 | |
| Foreign government debt | 15,273 | | 15,273 | |
| Corporate debt | 30,211 | | 30,211 | |
| Preferred stock - mandatory redeemable | 6,515 | | | $ 6,515 |
| Total fixed maturity securities | 1,137,524 | | 1,131,009 | 6,515 |
| Equity securities (b)(c) | 292,711 | $ 143,862 | | 113,588 |
| Short-term investments | 11,623 | 11,623 | | |
| Mortgage loans | 120,751 | | | 120,751 |
| Partnerships and LLCs (b) | 48,543 | | | |
| Contingent consideration receivable | 2,877 | | | 2,877 |
| Total fair value option investments | $ 1,614,029 | $ 155,485 | $ 1,131,009 | $ 243,731 |
| Derivatives: | | | | |
| Foreign exchange forwards | $ 5,378 | | $ 5,378 | |
| Total derivative assets | $ 5,378 | | $ 5,378 | |

| | | Fair Value Measurement Using | | |
|---|---|---|---|---|
| (In thousands) | Total (a) | Level 1 | Level 2 | Level 3 |
| **December 31, 2025** | | | | |
| Fair value option securities: | | | | |
| Fixed maturity securities: | | | | |
| U.S. government debt | $ 904,543 | | $ 904,543 | |
| Foreign government debt | 14,617 | | 14,617 | |
| Corporate debt | 31,962 | | 31,962 | |
| Total fixed maturity securities | 951,122 | | 951,122 | |
| Equity securities (b)(c) | 307,097 | $ 134,010 | | $ 142,424 |
| Short-term investments | 9,358 | 9,358 | | |
| Mortgage loans | 181,282 | | | 181,282 |
| Partnerships and LLCs (b) | 45,681 | | | |
| Affiliate corporate loans | 7,990 | | | 7,990 |
| Contingent consideration receivable | 6,818 | | | 6,818 |
| Total fair value option investments | $ 1,509,348 | $ 143,368 | $ 951,122 | $ 338,514 |
| Derivatives: | | | | |
| Equity warrants | $ 391 | | | $ 391 |
| Total derivative assets | $ 391 | | | $ 391 |
| Foreign exchange forwards | $ (2,295) | | $ (2,295) | |
| Total derivative liabilities | $ (2,295) | | $ (2,295) | |
| Net derivatives | $ (1,904) | | $ (2,295) | $ 391 |

(a) The fair value amounts presented in the "Total" column are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Balance Sheets.

(b) As of June 30, 2026 and December 31, 2025, investments in common stock with a fair value of $35.3 million and $30.7 million, respectively, and certain investments in partnerships and LLCs with a fair value of $48.5 million and $45.7 million, respectively, are measured using NAV as a practical expedient and are not required to be classified in the fair value hierarchy.

(c) Includes FVO securities that would otherwise be treated as equity-method investments, valued using FVO due to irrevocable election.

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) | Fixed Maturity Securities | Equity Securities (a) | Mortgage Loans | Affiliate Corporate Loans | Contingent Consideration Receivable | Derivatives |
|---|---|---|---|---|---|---|
| **Balance as of March 31, 2026** | | $ 170,845 | $ 150,544 | | $ 2,877 | $ 391 |
| Purchases | $ 6,434 | 169 | 296 | | | |
| Sales | | (56,409) | (25,404) | | | |
| Settlements/Maturities | | | (5,198) | | (406) | |
| Realized and unrealized gains/losses included in: | | | | | | |
| Net investment income – amortization of discounts | | | (9) | | | |
| Net realized gains (losses) on investments | | 29,774 | (3,756) | | (34) | |
| Change in net unrealized gains/losses on fair value option investments | 81 | (30,791) | 4,278 | | 440 | |
| Net losses on derivatives | | | | | | (391) |
| **Balance as of June 30, 2026** | $ 6,515 | $ 113,588 | $ 120,751 | | $ 2,877 | |
| | | | | | | |
| **Balance as of December 31, 2025** | $ | $ 142,424 | $ 181,282 | $ 7,990 | $ 6,818 | $ 391 |
| Purchases | 6,434 | 335 | 2,009 | | | 212 |
| Sales | | (56,409) | (58,031) | (9,576) | | |
| Settlements/Maturities | | | (5,198) | | (1,355) | |
| Realized and unrealized gains/losses included in: | | | | | | |
| Net investment income – amortization of discounts | | | 18 | | | |
| Net realized gains (losses) on investments | | 29,774 | (4,482) | 1,535 | (98) | |
| Change in net unrealized gains/losses on fair value option investments | 81 | (2,536) | 5,153 | 51 | (2,488) | |
| Net losses on derivatives | | | | | | (603) |
| **Balance as of June 30, 2026** | 6,515 | $ 113,588 | $ 120,751 | | $ 2,877 | |

| (In thousands) | Fixed Maturity Securities | Equity Securities (a) | Mortgage Loans | Affiliate Corporate Loans | Contingent Consideration Receivable | Derivatives |
|---|---|---|---|---|---|---|
| **Balance as of March 31, 2025** | $ 12,468 | $ 126,960 | $ 189,425 | $ 5,961 | $ 14,865 | $ 304 |
| Purchases | | 335 | 4,566 | | | |
| Sales | (13,453) | | (736) | | | |
| Settlements/Maturities | | | | | 949 | |
| Realized and unrealized gains/losses included in: | | | | | | |
| Net investment income – amortization of discounts | | | 23 | | | |
| Net realized gains on investments | 2,629 | | | | | |
| Change in net unrealized gains/losses on fair value option investments | (1,644) | 3,326 | (106) | 496 | (4,055) | |
| Net losses on derivatives | | | | | | (233) |
| **Balance as of June 30, 2025** | | $ 130,621 | $ 193,172 | $ 6,457 | $ 11,759 | $ 71 |
| | | | | | | |
| **Balance as of December 31, 2024** | $ 8,677 | $ 119,944 | $ 197,495 | $ 6,019 | $ 15,869 | $ 505 |
| Purchases | 10,823 | 5,335 | 8,100 | | | |
| Sales | (22,375) | (17) | (11,234) | | (420) | |
| Realized and unrealized gains/losses included in: | | | | | | |
| Net investment income – amortization of discounts | | | 122 | | | |
| Net realized gains (losses) on investments | 6,214 | 2 | (103) | | (55) | |
| Change in net unrealized gains/losses on fair value option investments | (3,339) | 5,357 | (1,208) | 438 | (3,635) | |
| Net losses on derivatives | | | | | | (434) |
| **Balance as of June 30, 2025** | | $ 130,621 | $ 193,172 | $ 6,457 | $ 11,759 | $ 71 |

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

The following table provides information on the valuation techniques, significant unobservable inputs, range and weighted average for each major category of Level 3 assets measured at fair value on a recurring basis as of June 30, 2026:

| (In thousands) | Balance as of June 30, 2026 | Valuation Techniques | Significant Unobservable Inputs | Range (Weighted Average) (a) | Effect on fair value if input value is increased (b) |
|---|---|---|---|---|---|
| Equity securities | $ 113,588 | Estimated NAV | Estimated NAV | N/A | Increase |
| | | Discounted cash flow | Discount rate | 10.72% (10.72%) | Decrease |
| | | | Perpetual growth rate | 3.00% (3.00%) | Increase |
| | | | Credit spread of issuer | 8.31% (8.31%) | Decrease |
| | | Market approach | Recent transaction price | N/A | Increase |
| Mortgage loans | $ 120,751 | Discounted cash flow | Credit spread of issuer | 3.50% - 6.00% (4.45%) | Decrease |
| | | Market approach | Appraisal value | N/A | Increase |
| Contingent consideration receivables | $ 2,877 | Discounted cash flow | Discount rate | 30.30% (30.30%) | Decrease |
| Fixed maturity securities (c) | $ 6,515 | Market approach | Credit spread of issuer | 5.04% (5.04%) | Decrease |
| | | | Quarterly payment election probability | 50.00% (50.00%) | Increase |

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

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

(c) Fixed maturity securities consist of mandatorily redeemable preferred stock of Kona Bidco, LLC ("Kona Bidco"). See Note 5, Related Party Transactions.

## Note 5. Related Party Transactions

*Investments*

In January 2025, the Company sold a common stock investment to U.S. Fire, an affiliate of Fairfax and the Company, for $11.9 million in cash. The proceeds represented fair value at the time of sale, resulting in a net realized gain of $3.9 million. Approval from the California DOI was not required as the total amount was below the applicable regulatory threshold.

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

As of June 30, 2026 and December 31, 2025, the carrying values of the Company's affiliated investments were as follows, also detailed in Note 2, Investments:

| (In thousands) | June 30, 2026 | December 31, 2025 |
|---|---|---|
| Equity-method investments | $ 269,383 | $ 232,775 |
| Equity securities, at fair value | 132,789 | 149,568 |
| Fixed maturity securities, at fair value (a) | 6,515 | |
| Partnerships, at fair value | 2,075 | 2,081 |
| Affiliate corporate loans, at fair value | | 7,990 |
| Total investments | $ 410,762 | $ 392,414 |
| | | |
| Other liabilities - indemnity liabilities, at fair value | | |
| Boat Rocker Media Inc. | $ 1,582 | $ 4,727 |
| Apple Bidco Limited | 7,524 | 7,524 |
| Total other liabilities – indemnity liabilities | $ 9,106 | $ 12,251 |

(a) Fixed maturity securities consist of mandatorily redeemable preferred stock of Kona Bidco. See discussion below.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (In thousands) | 2026 | 2025 | 2026 | 2025 |
| **Included in net income (loss), before tax** | | | | |
| Net investment income (loss) | $ 603 | $ (1,694) | $ 5,983 | $ (6,107) |
| Net realized gains (losses) on investments | 30,460 | (1,263) | 29,377 | 13,924 |
| Change in net unrealized gains/losses on fair value option investments | (26,059) | 2,624 | 2,795 | 1,248 |
| **Included in other comprehensive loss, before tax:** | | | | |
| Change in unrealized gains/losses on investments, before tax | (104) | 308 | 1,824 | 1,180 |
| Change in unrealized foreign currency translation adjustments, before tax | (4,638) | (847) | (4,914) | (11,319) |
| Included in total comprehensive income (loss), before tax: | $ 262 | $ (872) | $ 35,065 | $ (1,074) |

In June 2026, Fairfax, through its subsidiaries, and together with KW Management Group (“KWMG”), completed the previously announced privatization of KW, where all the outstanding shares of KW common stock not owned by Fairfax or KWMG were acquired for cash consideration of $10.90 per share and KW common stock was delisted from the New York Stock Exchange. To facilitate the KW acquisition, Kona Bidco was formed as the acquisition vehicle, Kona Bidco became an affiliate of Fairfax and the Company at the closing of the privatization transaction. Prior to this transaction, the Company owned investments in KW common stock, Series B and Series C preferred stock and equity warrants. As a result of the transaction, KW common stock was exchanged for Class B Units of Kona Bidco, which the Company accounts for as an affiliated equity investment in an LLC using the equity-method of accounting. KW equity warrants were extinguished for zero consideration. KW Series B and Series C preferred stocks were exchanged for Class P-1 and Class P-2 Units of Kona Bidco mandatorily redeemable preferred stock, which Fairfax and the Company classify as affiliated fixed maturity securities. The Company recognized realized losses of $1.7 million, $1.8 million and $0.7 million on the disposition of KW common stock, equity warrants and preferred shares, respectively.

In June 2026, the Company's investment in Westmoor 8-10, LLC mortgage loan was restructured, resulting in Fairfax subsidiaries, including the Company, transferring their interest in the loan into a newly formed entity, KW-F WM8-10, LLC ("KW-WM8-10"). The Company's investment in KW-WM8-10 is $4.9 million, representing the fair value of its investment in the restructured mortgage loan at the time of the transfer. The Company accounts for its investment in KW-WM8-10 as an affiliated equity investment in an LLC using the equity-method of accounting.

In May 2026, Fairfax, together with its affiliates, including the Company, completed the previously announced partial sale of their investment in Poseidon. The Company sold 1.8 million common shares of Poseidon at $28.30 per share, for cash proceeds of approximately $50.0 million, and recognized a realized gain on sale of $30.5 million. Following the sale, the Company continues to account for its remaining investment in Poseidon common shares under the fair value option.

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

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

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

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

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

*Assumed Reinsurance*

The Company has reinsurance agreements with various subsidiaries of Allied World Assurance Company Holdings, Ltd. (collectively "Allied"), an affiliate of Fairfax and the Company, first effective May 1, 2021 and subsequently renewed annually, under which Allied cedes to the Company a portion of its global professional and medical liability business under quota share and excess of loss reinsurance contracts on a risk-attaching basis. Effective July 1, 2022, the Company also entered into a risk-attaching quota share agreement that has been renewed annually, under which Allied cedes a portion of its cyber business to the Company. These agreements have been renewed annually.

Effective January 1, 2025, the Company entered into a reinsurance agreement with Brit Insurance Services Limited ("Brit"), an affiliate of Fairfax and the Company, under which Brit cedes to the Company a portion of its global property catastrophe risks under a quota share contract on a risk-attaching basis. This agreement was renewed in 2026.

Also, effective January 1, 2025, the Company entered into a reinsurance agreement with a subsidiary of Crum & Forster Holding Corp. ("C&F"), an affiliate of Fairfax and the Company, to assume 100% of premiums and losses associated with excess workers' compensation policies fronted by C&F for Zenith Insurance related to several workers' compensation self-insurance funds. This was a one-year arrangement that did not renew.

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

| (In thousands) | June 30, 2026 | December 31, 2025 |
|---|---|---|
| **Assets:** | | |
| Premiums receivable | $ 22,406 | $ 16,776 |
| Deferred policy acquisition costs | 9,979 | 9,475 |
| Funds withheld | 1,672 | 1,672 |
| **Liabilities:** | | |
| Losses and loss adjustment expenses reserves | $ 81,538 | $ 73,084 |
| Unearned premiums | 33,754 | 26,924 |
| Reinsurance payable on paid losses and loss adjustment expenses | 6,530 | 6,692 |
| Contingent commissions payable | 605 | 190 |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (In thousands) | 2026 | 2025 | 2026 | 2025 |
| **Revenues:** | | | | |
| Net premium earned | $ 16,514 | $ 12,995 | $ 32,147 | $ 25,294 |
| **Expenses:** | | | | |
| Policy acquisition costs | $ 5,978 | $ 4,673 | $ 11,577 | $ 8,914 |
| Losses and loss adjustment expenses incurred | 7,709 | 6,992 | 16,795 | 16,636 |

*Ceded Reinsurance*

The Company continues to be a party to various ceded reinsurance treaties with affiliates of Fairfax that were entered into in the ordinary course of business, primarily excess of loss reinsurance agreements with Odyssey Reinsurance Company for 2010 through 2026. As of June 30, 2026 and December 31, 2025, the Company recorded a net receivable from reinsurers of $2.6 million and $1.8 million, respectively, related to the reinsurance transactions with affiliates of Fairfax. In the three and six months ended June 30, 2026, the Company recorded $1.4 million and $2.7 million of ceded premium earned, net of ceded commissions from affiliates, compared to $1.3 million and $2.5 million for the same periods of 2025.

*Claims Servicing*

The Company is party to Master Administrative Services Agreements with various affiliates of Fairfax. Under the agreements, the affiliated parties provide and receive administration services such as accounting, underwriting, claims, reinsurance, preparation of regulatory reports and actuarial services. The Company provides claims administration services to Seneca Insurance Company, Inc., and to RiverStone Group LLC and affiliates, both affiliates of Fairfax and the Company.

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

| (In thousands) | June 30, 2026 | December 31, 2025 |
|---|---|---|
| **Liabilities:** | | |
| Intercompany payable (a) | $ 6,774 | $ 6,286 |

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

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (In thousands) | 2026 | 2025 | 2026 | 2025 |
| **Revenues:** | | | | |
| Service fee revenue | $ 1,275 | $ 1,535 | $ 2,731 | $ 3,317 |

## Note 6. Reinsurance Recoverable

Amounts recoverable for paid and unpaid losses from reinsurers as of June 30, 2026 and December 31, 2025, and their respective A.M. Best ratings were as follows:

| (In thousands) | June 30, 2026 (a) | December 31, 2025 (a) | A.M. Best Rating (b) | A.M. Best Rating Date |
|---|---|---|---|---|
| General Reinsurance Company | $ 27,555 | $ 27,389 | A++ | 11-2025 |
| Hannover Ruck SE | 9,543 | 8,509 | A+ | 12-2025 |
| Partner Reinsurance Company | 9,526 | 8,491 | A+ | 02-2026 |
| Zenith Captive Insurance IC 1, LLC | 6,878 | 5,723 | NR | |
| Odyssey Reinsurance Company (c) | 3,617 | 3,327 | A+ | 07-2026 |
| Chaucer Ins Co Designated Activity Co | 3,314 | 2,888 | A | 11-2025 |
| Axis Reinsurance Company | 2,971 | 2,835 | A | 08-2025 |
| Transatlantic Reinsurance Company | 2,950 | 3,002 | A++ | 03-2026 |
| Allied World Assurance Company Ltd (c) | 2,553 | 2,032 | A+ | 05-2026 |
| Factory Mutual Insurance Company | 2,076 | 2,087 | A+ | 01-2026 |
| All others (d) | 2,588 | 2,200 | | |
| Total | $ 73,571 | $ 68,483 | | |

(a) Under insurance regulations in California, not-admitted reinsurers placed collateral on deposit equal to the Company's ceded workers' compensation loss reserves.

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

(c) Odyssey Reinsurance Company and Allied World Assurance Company are both affiliates of Fairfax and the Company. See Note 5, Related Party Transactions, for additional information.

(d) No individual reinsurer in excess of $0.8 million and $0.9 million as of June 30, 2026 and December 31, 2025.

## Note 7. Unpaid Losses and Loss Adjustment Expenses

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

| (In thousands) | Six Months Ended June 30, 2026 | Six Months Ended June 30, 2025 |
|---|---|---|
| Beginning of period, net of reinsurance | $ 1,028,757 | $ 985,411 |
| Incurred claims: | | |
| Current accident year | 265,697 | 231,965 |
| Prior accident years | (9,018) | (7,038) |
| Total incurred claims | 256,679 | 224,927 |
| Payments: | | |
| Current accident year | (50,469) | (46,582) |
| Prior accident years | (161,570) | (157,964) |
| Total payments | (212,039) | (204,546) |
| End of period, net of reinsurance | 1,073,397 | 1,005,792 |
| Receivable from reinsurers for unpaid losses | 52,309 | 44,058 |
| End of period, gross of reinsurance | $ 1,125,706 | $ 1,049,850 |

The net favorable development of $9.0 million in the six months ended June 30, 2026 was primarily attributable to net favorable loss development from Workers' Compensation and Agribusiness P&C. Net favorable development in the Workers' Compensation business was primarily due to favorable development for accident years 2025, 2022, 2020, and 2018 and prior, partially offset by adverse development for accident years 2019, 2021, 2023, and 2024. Net favorable development in Agribusiness P&C was primarily due to favorable development for accident year 2025 and 2018 and prior, partially offset by adverse development for accident years 2021 and 2024.

The net favorable development of $7.0 million in the six months ended June 30, 2025 was primarily attributable to Workers' Compensation favorable loss development trends for accident years 2021 and prior, and Agribusiness P&C favorable loss development for the accident year 2024, partially offset by adverse development in Workers' Compensation for accident years 2022 through 2024 and in Agribusiness P&C for accident years 2021 and prior.

**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 | (30,628) |
| Vested | (141,591) |
| Purchased and available for future grants | (7,008) |
| Available for future purchases as of June 30, 2026 | 320,773 |

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

| (Dollars in thousands, except share data) | Number of Shares | Weighted Average Purchase Price Per Share | Total Purchase Price |
|---|---|---|---|
| Purchased through December 2024 | 174,367 | $ 485.03 | $ 84,572 |
| Purchased in 2025 | 3,202 | 1,594.36 | 5,105 |
| Purchased in 2026 | 1,658 | 1,574.25 | 2,610 |
| Total purchased since plan inception | 179,227 | 514.92 | $ 92,287 |

Changes in the restricted shares outstanding were as follows:

| (Dollars in thousands, except share data) | Number of Shares | Weighted Average Grant Date Fair Value Per Share | Grant Date Fair Value |
|---|---|---|---|
| **Restricted Shares as of December 31, 2024** | 60,962 | $ 545.04 | $ 33,227 |
| Granted during 2025 | 2,967 | 1,471.45 | 4,366 |
| Forfeited during 2025 | (203) | 823.66 | (167) |
| Vested during 2025 | (14,994) | 471.77 | (7,074) |
| **Restricted Shares as of December 31, 2025** | 48,732 | 622.82 | 30,352 |
| Granted during 2026 | 3,026 | 1,649.66 | 4,992 |
| Forfeited during 2026 | (917) | 1,042.20 | (956) |
| Vested during 2026 | (20,213) | 465.11 | (9,401) |
| **Restricted Shares as of June 30, 2026** | 30,628 | 815.80 | $ 24,987 |

In the three and six months ended June 30, 2026, stock-based compensation expense before tax was $1.6 million and $3.5 million, respectively, compared to $1.7 million and $4.1 million for the same periods of 2025.

As of both June 30, 2026 and December 31, 2025, unrecognized compensation expense before tax under the Restricted Stock Plan was $11.7 million.

**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.