

**ZENITH NATIONAL INSURANCE CORP.**  
**CORPORATE GOVERNANCE GUIDELINES**

**AS ADOPTED DECEMBER 4, 2008**

The following Corporate Governance Guidelines have been adopted by the Board of Directors (the “Board”) of Zenith National Insurance Corp. (the “Company”) to assist the Board in the exercise of its responsibilities. These Corporate Governance Guidelines reflect the Board’s commitment to monitor the effectiveness of policy and decision making both at the Board and management level, with a view toward enhancing long-term stockholder value. These Corporate Governance Guidelines are not intended to change or interpret any Federal or state law or regulation, including the Delaware General Corporation Law or the Certificate of Incorporation or Bylaws of the Company. These Corporate Governance Guidelines are subject to modification from time to time by the Board.

**THE BOARD**

**Role of Directors**

The business and affairs of the Company shall be managed by or under the direction of the Board. A Director is expected to spend the time and effort necessary to properly discharge such Director's responsibilities. Accordingly, a Director is expected to regularly attend meetings of the Board and committees on which such Director sits, and to review prior to meetings material distributed in advance for such meetings. As provided in the applicable rules and regulations of the Securities and Exchange Commission, if a Director fails in any calendar year to attend at least seventy-five per cent of the meetings of the Board or any committee on which he or she serves, then such attendance failure must be disclosed in the Proxy Statement for the Annual Meeting of Stockholders for the following year. If a Director becomes involved in an activity that could become a material distraction from the discharge of his or her Board responsibilities, such Director shall promptly notify the Chairman of the Nominating and Corporate Governance Committee. Such notification should include the reasons such activity is not presently a material distraction.

**The Board's Goals**

The Board's goals are to build long-term value for the Company's stockholders and to assure the vitality of the Company for its customers, employees and the other individuals and organizations that depend on the Company.

To achieve these goals the Board will monitor both the performance of the Company (in relation to its goals, strategy and competitors) and the performance of the President (who is designated under the Company’s Bylaws as its chief executive officer), and offer him or her constructive advice and feedback.

**Size of the Board**

The Board believes that it should generally have no fewer than five and no more than ten Directors. This range permits diversity of experience without hindering effective discussion or diminishing

individual accountability. The size of the Board will be fixed from time to time at such number as deemed appropriate by the Board.

### **Selection of New Directors**

The Board shall be responsible for nominating members for election to the Board and for filling vacancies on the Board that may occur between Annual Meetings of Stockholders. The Nominating and Corporate Governance Committee is responsible for identifying, screening and recommending candidates to the Board for Board membership. When formulating its Board membership recommendations, the Nominating and Corporate Governance Committee shall also consider advice and recommendations from others as it deems appropriate.

The Nominating and Corporate Governance Committee will consider candidates recommended by stockholders. It is the policy of the Nominating and Corporate Governance Committee that the same criteria for a candidate's membership on the Board of Directors be applied regardless of who recommended him or her, except that in considering candidates recommended by stockholders, the Nominating and Corporate Governance Committee may take into account the number of shares of Zenith Common Stock held by the recommending stockholder and the length of time such shares have been held. The Nominating and Corporate Governance Committee may establish procedures, from time to time, regarding stockholder submission of candidates.

### **Board Membership Criteria**

The minimum qualifications for service as a Director of the Company are that a candidate possesses an ability, as demonstrated by recognized success in his or her field, to make meaningful contributions to the Board's oversight of the business and affairs of the Company and an impeccable reputation of integrity and competence in his or her personal or professional activities. Other criteria for membership shall include a candidate's knowledge, skills, expertise and diversity of experience, so as to enhance the Board's ability to manage and direct the affairs and business of the Company, including when applicable, to enhance the ability of committees of the Board to fulfill their duties and satisfy any independence requirements imposed by law, regulation or New York Stock Exchange listing requirements. The Nominating and Corporate Governance Committee shall be responsible for assessing the appropriate balance of criteria required of Board members.

### **Other Public Company Directorships**

The Company does not have a policy limiting the number of other public company boards of directors upon which a Director may sit.

### **Independence of the Board**

The Board shall be composed of a substantial majority of Directors who qualify as independent under the Listing Standards of the New York Stock Exchange. The Nominating and Corporate Governance Committee will review compliance with such Listing Standards annually.

In determining independence, the Board evaluates whether Directors have any material relationship with the Company. In assessing the materiality of a Director's relationship with the Company, the Board will consider all relevant facts and circumstances. In making an independence determination, the Board will consider the facts and circumstances not merely from the standpoint of the Director, but also from the standpoint of persons or organizations with which the Director is affiliated.

The determination of whether the relationship is material and whether the Director is independent shall be made by the other independent Directors. The Board's determination of independence shall be disclosed in the Company's annual proxy statement.

The following shall not be considered material and shall not affect a Director's independence:

- Charitable donations of \$100,000 or less in any of the past three calendar years that are made by the Company to a not-for-profit or charitable organization with which a Director or his or her immediate family member is associated.
- Political contributions of \$50,000 or less in any of the past three calendar years that are made by the Company to a committee registered under applicable campaign finance laws and regulations with which a Director or his or her immediate family member is associated.

Each independent Director shall notify the Chair of the Nominating and Corporate Governance Committee, as soon as practicable after he or she has knowledge, of any event, situation or condition that may affect the Board's evaluation of his or her independence. If such event, situation or condition would also be a related person transaction, the affected Director shall also notify the Chair of the Audit Committee.

### **Lead Independent Director**

If the Chairman of the Board is not an independent Director, the Company's Independent Directors will designate one of the independent Directors on the Board to serve as lead Independent Director (the "Lead Independent Director"). The Lead Independent Director's duties will include presiding at executive sessions of the Board, communicating to the Chairman of the Board or President such matters arising out of the executive sessions as the Directors may desire to be communicated to the Chairman of the Board or President, and undertaking such further duties as may subsequently be determined by the Lead Independent Director, the Chairman of the Board, and the Board.

### **Directors Who Change Their Present Job Responsibility**

The Board does not believe that Directors who retire or change job positions they held when they became a member of the Board should necessarily leave the Board. Promptly following such event, the Director must notify the Nominating and Corporate Governance Committee, which shall review the continued appropriateness of the affected Director remaining on the Board under the circumstances. The affected Director is expected to act in accordance with the Nominating and Corporate Governance Committee's recommendation following such review.

### **Retirement Age**

The Company has no policy regarding the maximum age at which a Director is to stop serving, believing that each Director's qualifications are unique and that his or her ability to contribute is not necessarily limited by chronological age.

## **Director Tenure**

In connection with each Director nomination recommendation, the Nominating and Corporate Governance Committee shall consider the issue of continuing Director tenure. An individual Director's renomination is dependent upon such Director's performance evaluation, as well as a suitability review, each to be conducted by the Nominating and Corporate Governance Committee in connection with each Director nomination recommendation.

## **Board Compensation**

A Director who is also an Officer of the Company shall not receive additional compensation for such service as a Director.

The Company believes that compensation for non-employee Directors should be competitive and should encourage increased ownership of the Company's stock through equity awards. The Compensation Committee will periodically review the level and form of the Company's director compensation, including how such compensation relates to director compensation of companies of comparable size, industry and complexity. Such review will also include a review of both direct and indirect forms of compensation to the Company's Directors, including consulting or other similar arrangements between the Company and a Director.

Director fees (including any additional amounts paid to chairs of committees and to members of committees of the Board) and equity awards are the only compensation a member of the Audit Committee may receive from the Company; provided, however, that a member of the Audit Committee may also receive fixed amounts of compensation under a retirement plan (including deferred compensation) from the Company for prior service with the Company so long as such compensation is not contingent in any way on continued service.

## **Guidelines for the Ownership of Zenith Common Stock**

The Company believes that the interests of the Company's Directors should be aligned with the Company's stockholders, and consistent with this belief the Board has adopted guidelines for the ownership of Zenith Common Stock by the Company's Directors. From time to time, the Nominating and Corporate Governance Committee will evaluate these guidelines and, if appropriate, recommend that the Board adopt changes to them. A copy of the current Stock Ownership Guidelines will be posted on the Company's website.

## **Separate Sessions of Non-Management Directors**

The non-management Directors of the Company shall meet in executive session without management on a regularly scheduled basis, but no less than four times a year. The Lead Independent Director shall preside at such executive sessions, or in the absence of the Lead Independent Director, another non-management Director shall preside at such executive sessions.

In the event that the non-management Directors include Directors who are not independent under the New York Stock Exchange listing requirements, the Company should, at least once a year, schedule an executive session including only independent Directors.

## **Communications to the Board**

Stockholders and other interested parties may contact any member (or all members) of the Board (including, without limitation, the non-management Directors as a group), any Board committee or any chair of any such committee by mail. To communicate with the Board of Directors, any individual Director or any group or committee of Directors, written correspondence should be addressed to the Board of Directors or any such individual Director or group or committee of Directors by either name or title. All such correspondence should be sent c/o Corporate Secretary, Zenith National Insurance Corp., 21255 Califa St., Woodland Hills, CA 91367.

All communications received as set forth in the preceding paragraph will be opened by the Corporate Secretary for the sole purpose of further processing. Unless the communication is bulk mail, sales/marketing material, an employment inquiry or clearly misdirected, a copy of the contents will be made and retained by the Corporate Secretary and the contents will be promptly forwarded to the addressee. In the case of communications to the Board or any group or committee of Directors, the Corporate Secretary will make sufficient copies of the contents to send to each Director who is a member of the group or committee to which the envelope is addressed.

## **Self-Evaluation by the Board**

The Nominating and Corporate Governance Committee will sponsor an annual self-assessment of the Board's performance as well as the performance of each committee of the Board, the results of which will be discussed with the full Board and each committee.

## **Strategic Direction of the Company**

Normally it is management's job to formalize, propose and implement strategic choices and the Board's role to approve strategic direction and evaluate strategic results. However, as a practical matter, the Board and management will be better able to carry out their respective strategic responsibilities if there is an ongoing dialogue among the President, other members of top management and other Board members. To facilitate such discussions, members of senior management who are not Directors may be invited to participate in Board meetings when appropriate.

## **Board Access to Management and Outside Advisors**

Board members shall have access to the Company's management and, as appropriate, to the Company's outside advisors. Board members shall coordinate such access through the Chairman of the Board and Board members will use judgment to assure that this access is not distracting to the business operations of the Company.

## **Board Materials Distributed in Advance**

Information and materials that are important to the Board's understanding of the agenda items and other topics to be considered at a Board meeting should, to the extent practicable, be distributed sufficiently in advance of the meeting to permit prior review by the Directors. In the event of a pressing need for the Board to meet on short notice or if such materials would otherwise contain highly confidential or sensitive information, it is recognized that written materials may not be available in advance of the meeting.

## **Board Interaction with Institutional Investors, Analysts, Press and Customers**

The Board believes that management generally should speak for the Company. It is suggested that each Director refer all inquiries from institutional investors, analysts, the press or customers to the President or his or her designee.

## **Board Orientation and Continuing Education**

The Company shall provide new Directors with a Director orientation program to familiarize such Directors with, among other things, the Company's business, strategic plans, significant financial, accounting and risk management issues, compliance programs, conflicts policies, code of business conduct and ethics, corporate governance guidelines, principal officers, internal auditors and independent auditors. In addition, the Company shall periodically provide materials or briefing sessions for Directors on subjects that would permit the Directors to maintain the necessary level of expertise to perform their responsibilities as Directors. The Company also encourages Directors to attend formal educational seminars and courses covering corporate governance matters, industry-related topics or other items of interest to serving as a Company Director. The Company will reimburse Directors for their out of pocket expenses incurred in attending such seminars and courses.

## **Director Attendance at Annual Meetings of Stockholders**

It is Company policy that Directors are invited and encouraged to attend the Annual Meeting of Stockholders.

## **Frequency of Board Meetings**

There shall be four regularly scheduled meetings of the Board each year. At least one regularly scheduled meeting of the Board shall be held quarterly.

## **COMMITTEE MATTERS**

### **Number and Names of Board Committees**

The Company shall have three standing committees: Audit, Nominating and Corporate Governance, and Compensation. The purpose and responsibilities for each of these committees shall be outlined in committee charters adopted by the Board. The Board may, from time to time, form other committees depending on the circumstances.

### **Independence of Board Committees**

Each of the Audit Committee, the Nominating and Corporate Governance Committee and the Compensation Committee shall be composed entirely of Independent Directors satisfying applicable legal, regulatory and stock exchange requirements necessary for an assignment to any such committee.

## **Assignment and Rotation of Committee Members**

The Nominating and Corporate Governance Committee shall be responsible for making recommendations to the Board with respect to the assignment of Board members to various committees. After reviewing the Nominating and Corporate Governance Committee's recommendations, the Board shall be responsible for appointing each chairman and member to the committees on an annual basis.

The Nominating and Corporate Governance Committee shall annually review the Committee assignments and shall consider the rotation of the Chair and members with a view toward balancing the benefits derived from continuity against the benefits derived from the diversity of experience and viewpoints of the various Directors.

## **LEADERSHIP DEVELOPMENT**

### **Evaluation of Chief Executive Officer**

The Board is responsible for selecting the President (who is designated under the Company's Bylaws as its Chief Executive Officer) and the Board or an appropriate Board committee will provide the President with an annual performance review.

### **Succession Planning**

The Nominating and Corporate Governance Committee shall plan and establish procedures for dealing with the succession to the position of the President.

### **Management Development**

The Nominating and Corporate Governance Committee shall determine that a satisfactory system is in effect for the education, development, and orderly succession of senior and mid-level managers throughout the Company.