J. Michael Low, Esq., #003432
mlow@lowcohen.com
LOW & COHEN, PLLC
2999 North 44th Street # 550
Phoenix, Arizona 85018
Telephone (602) 648-4040
Facsimile (602) 648-4041

FILED

2011 OCT 28 A 9:47

Hearing Unit, OIC
Patricia D. Pearson
Chief Hearing Officer

BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Disclaimer of Affiliation & Control of: **FAIRFAX FINANCIAL HOLDINGS LIMITED, the Ultimate Controlling Person of COMMONWEALTH INSURANCE COMPANY OF AMERICA, the Subsidiary, and A Washington Domiciled Insurer, by** **CAPITAL GROUP COMPANIES, INC., and CAPITAL GROUP COMPANIES MANAGEMENT COMPANIES**	No. 11-0162 **CLOSING ARGUMENT**

The evidence submitted today demonstrates that the Capital Group Companies, Inc. ("CGC"), filed a Disclaimer of Control and request for exemption (sometimes called the "Disclaimer of Control") with the Washington Office of Insurance Commissioner on or about November 23, 2010 regarding the acquisition of not more than 25% of the total issued and outstanding public voting shares of Fairfax Financial Holdings Limited ("FFH"), the ultimate parent corporation of Commonwealth Insurance Company of America, a Washington domiciled insurer. Mr. Walt Burkley, a Vice President and Senior Counsel for CGC, testified that two principal

Low & Cohen, PLLC
2999 North 44th Street, Suite 550
Phoenix, Arizona 85018
(602) 648-4040

Low & Cohen, PLLC
2999 North 44th Street, Suite 550
Phoenix, Arizona 85018
(602) 648-4040

CGC subsidiaries provide investment management services to CGC clients, that being Capital Group International, Inc. ("CGII"), and Capital Research and Management Company ("CRMC"). Mr. Burkley further testified that CRMC conducts its business operation through two divisions, Capital Research Global Investors ("CRGI") and Capital World Investors ("CWI").

Mr. Burkley testified that CGII, CRGI and CWI provide investment and management services to the American Funds Group of Mutual Funds, together with financial institutions and high net-worth investors around the world. He further testified that CGII, CRGI and CWI are all Section 13(g) filers with the United States Securities and Exchange Commission. According to Mr. Burkley 13(g) filers have discretionary investment authority to purchase and sell securities for the various clients. Further, per Mr. Burkley, CGII, CRGI and CWI are all passive investors and only hold securities in the ordinary course of business and not for control purposes.

The Disclaimer of Control filed by CGC states that CGC will limit its total investment in public voting shares of FFH to not more than 25% of the outstanding public voting shares of FFH. Further, CGC, in its Disclaimer of Control, indicates that no individual CGC entity, including CGII, CRGI and CWI will acquire more than 9.99% of the total outstanding public voting

shares of FFH. Mr. Burkley testified that as of September 30, 2011, CGC owned 1,599,791 shares of FFH.

Mr. Eric Salsberg, the Vice President, Corporate Affairs of FFH, testified on behalf of FFH which is a publicly traded Canadian Corporation that owns CICA. Mr. Salsberg testified that FFH fully supports the disclaimer of control and request for exemption filed by CGC and asked that the Washington Office of the Insurance Commissioner approve such a request. Mr. Salsberg testified that as of June 30, 2011 FFH has 19,636,876 publicly traded voting shares and 1,548,000 multiple voting shares. Per Mr. Salsberg, multiple voting shares carry 10 votes per share, while the publicly traded voting shares carry 1 vote per share. This means, according to Mr. Salsberg, that effective control of FFH is vested in Mr. Prem Watsa, FFH's Chairman and CEO, who controls the multiple voting shares through a private family holding company named The SixtyTwo Investment Company Limited. Mr. Salsberg testified that the multiple voting shares actually represent 44% of the votes attached to all of FFH's outstanding voting shares. He further testified that any person owning 25% of the outstanding publicly traded voting shares would only have 14% of the votes attached to all of FFH's outstanding voting shares because of the 10 votes per share that attach to the non-public class of multiple voting shares.

Low & Cohen, PLLC
2999 North 44th Street, Suite 550
Phoenix, Arizona 85018
(602) 648-4040

Mr. Salsberg further testified that CGC has been an investor in FFH for a number of years and as such has only acted as a passive investor. Mr. Salsberg testified that in his opinion, if the disclaimer of control and request for exemption filed by CGC is approved, CGC would still not be in control of FFH.

Based upon the testimony of Mr. Burkley and Mr. Salsberg, we respectfully request that the Chief Hearing Officer recommend the approval of the request for exemption and disclaimer of control filed by CGC with respect to FFH, the ultimate controlling person of Commonwealth Insurance Company of America.

Respectfully submitted this 25 day of October, 2011.

LOW & COHEN, PLLC

By: _____

J. Michael Low
2999 North 44th Street, # 550
Phoenix, Arizona 85018
Telephone (602) 648-4040
Facsimile (602) 648-4041

TO:

Patricia Petersen, Chief Hearing Officer
Washington Office of Ins. Commissioner
P.O. Box 40255
Olympia, WA 98504-0255

Low & Cohen, PLLC
2999 North 44th Street, Suite 550
Phoenix, Arizona 85018
(602) 648-4040

Kelly A. Cairns
Paralegal
Washington Office of Ins. Commissioner
P.O. Box 40255
Olympia, WA 98504-0255

Walt Burkley
Capital Group Companies, Inc.
333 Hope Street
Los Angeles, CA 90071-1406

Eric Salsberg
Fairfax Financial Holdings Limited
95 Wellington Street West , Suite 800
Toronto, Ontario, Canada M5J 2N7

COPY TO:

Mike Kreidler, Insurance Commissioner
Michael G. Watson, Chief Deputy Insurance Commissioner
Carol Sureau, Esq., Deputy Commissioner, Legal Affairs Division
Charles Brown, Esq., Staff Attorney, Legal Affairs Division
James T. Odiorne, CPA, JD, Deputy Commissioner, Company Supervision Div.
Ronald J. Pastuch, Holding Company Manager, Company Supervision Div.
Office of the Insurance Commissioner
PO BOX 40255
Olympia, WA 98504-0255

G:\Low&Cohen\Clients\C\Capital Research and Management Company\General Representation\Pleadings\Closing Argument (Final) 102411-rdj.doc

Low & Cohen, PLLC
2999 North 44th Street, Suite 550
Phoenix, Arizona 85018
(602) 648-4040