

MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON



Phone: (360) 725-7000
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OFFICE OF
INSURANCE COMMISSIONER

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HEARINGS UNIT
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Patricia D. Petersen
Chief Hearing Officer
(360) 725-7105

BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Disclaimer of)
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

NOTICE OF HEARING

TO: James P. Ryan, Senior Vice President
Capital Group Companies, Inc.
333 South Hope Street
Los Angeles, CA 90071-1406

J. Michael Low, Esq.
Low & Cohen, PLLC
2999 North 44th Street, Suite 550
Phoenix, AZ 85018

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

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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

Capital Group Companies, Inc. (CGC) is a California domiciled global financial corporation headquartered in Los Angeles, California. Among other enterprises, CGC wholly owns various subsidiaries which conduct the business of investment management. The subsidiaries involved herein, which will be referred to as the CGC Management Companies, include Capital Group International, Inc., Capital Research Global Investors, and Capital World Investors (the latter two are divisions of CGC subsidiary Capital Research and Management Company). Capital Research and Management Company is domiciled in Delaware and headquartered in Los Angeles, CA, and manages the American Funds family of mutual funds. Each of these subsidiaries, which are Sec. 13(g) filers with the U.S. Securities and Exchange Commission, has discretionary investment authority to purchase and sell securities held by their respective clients, and currently propose to purchase additional shares of Fairfax Financial Holdings Limited that would result in the mutual funds and accounts managed by the CGC Management Companies owning, in the aggregate, up to 25% of the total outstanding public voting shares of Fairfax Financial Holdings Limited. Because CGC Management Companies are wholly owned subsidiaries of CGC, CGC may be deemed to control the Fairfax Financial Holdings Limited stock held by such mutual funds, institutional investors and client accounts, notwithstanding the fact that the record owners of such shares are the individual mutual funds, institutional investors and/or client accounts. For this reason, CGC, on behalf of itself and the CGC Management Companies, now request approval for the CGC Management Companies to acquire up to 25% of the total outstanding public voting shares of Fairfax Financial Holdings Limited.

Specifically, Fairfax Financial Holdings Limited (FFH) is a Canadian publicly-traded corporation based in Toronto, Ontario, Canada, that is the ultimate controlling person of Commonwealth Insurance Company of America ("Commonwealth"), a Washington domiciled life and disability, property and casualty insurer which received its Certificate of Authority from the Washington State Insurance Commissioner on January 17, 1995. As of November 5, 2010, FFH reported that it had 19,927,389 authorized shares of publicly traded stock issued and outstanding. As of November 5, mutual funds and institutional and client accounts managed by the CGC Management Companies held, collectively, 1,837,614 such shares, representing 9.22% of the publicly traded stock of FFH.

CGC and the CGC Management Companies propose for CGC Management Companies to acquire additional outstanding public voting shares of FFH that will result in the mutual funds and accounts which the CGC Management Companies manage owning, in the aggregate, up to

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25% of the authorized, issued and outstanding public voting common stock of FFH, subject to the following conditions: (1) aggregate ownership of all clients of the CGC Management Companies will not exceed 25% of the authorized, issued and outstanding public voting common stock of FFH, and (2) no individual client (e.g., a mutual fund or any institutional or individual investor) of the CGC Management Companies will own ten percent or more of the authorized, issued and outstanding voting common stock of FFH. In addition, CGC Management Companies note that holding 25% of the outstanding public voting shares of FFH in reality equates to 14% of all outstanding voting shares of FFH because a separate entity, The Sixty Two Investment Company Limited, owns 1.5 million non-public voting shares which vote at ten votes per share.

Pursuant to RCW 48.31B.015(5), the Insurance Commissioner may by order exempt certain transactions from the statutory requirements of RCW 48.31B.015 which otherwise pertain to the requirements for his approval of agreements to acquire domestic insurers. Specifically, pursuant to RCW 48.31B.015(5)(b), the Insurance Commissioner may by order exempt from the requirements of RCW 48.31B.015 an *[offer, request, invitation, agreement, or other acquisition that the Insurance Commissioner determines as (i) not having been made or entered into for the purpose and not having the effect of changing or influencing the control of a domestic insurer, or (ii) otherwise not comprehended within the purposes of this section.* For this reason, in order to obtain the Commissioner's approval to acquire additional public voting stock of FFH as outlined above, on November 23, 2010, CGC and the CGC Management Companies, by and through their attorney, J. Michael Low of Low & Cohen, PLLC, and James P. Ryan, Senior Vice President of Capital Group Companies, filed a Request for Exemption (Disclaimer of Control) pursuant to RCW 48.31B.015(5)(b). In support of their request for exemption, Capital Group Companies, Inc. and CGC Management Companies maintain that the clients of the CGC Management Companies will acquire FFH public voting stock solely for investment purposes and not for the purpose of, or having the effect of, changing or influencing the control of Commonwealth. It is this Disclaimer of Control of FFH, the ultimate controlling person of Commonwealth, filed by Capital Group Companies on its behalf and on behalf of the CGC Management Companies pursuant to RCW 48.31B.015(5)(b), that is the subject of this proceeding.

Toward this end, the parties are advised that a duly authorized representative(s) of Capital Group Companies, Inc., the CGC Management Companies, and the Insurance Commissioner or his authorized representative are expected to testify as to whether they believe that the statutory criteria for exemption under RCW 48.31B.015(5)(b) have been met. Duly authorized representatives of these companies are individuals who are authorized to testify on behalf of the companies including officers, directors, in house counsel (not private counsel). While live testimony from the parties will be taken during the hearing as to the above identified issues, written declarations from those parties are also required to be submitted before the hearing date. Further, oral opening statements and oral closing arguments from Capital Group Companies, Inc. and CGC Management Companies are expected, and a written closing argument is required to be filed before the hearing date. Should it be determined that the criteria for exemption under RCW 48.31B.015(5)(b) have been met, the proposed acquisition described herein will be approved and a written Order will be entered.

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YOU ARE HEREBY NOTIFIED that a hearing will be held commencing at 10 a.m. Pacific Standard Time on Tuesday, September 20, 2011, to consider the Disclaimer of Control of Fairfax Financial Holdings Limited, and its subsidiary Commonwealth Insurance Company of America, by Capital Group Companies and CGC Management Companies. Pursuant to WAC 10-08-180, based upon the agreement of the parties and the determination of the undersigned that it will not prejudice a party and that each party will have the opportunity to participate effectively in the proceeding, the hearing will be held by teleconference.

The hearing will be held under the authority granted the Insurance Commissioner by Chapter 48.04 RCW and RCW 48.31B.015, and shall have as its purpose consideration of Capital Group Companies, Inc.'s and CGC Management Companies' request for an order exempting them from the ordinary statutory requirements pertaining to mergers, consolidations and other acquisitions of control of domestic insurers found in Chapter 48.31B RCW, and approving their proposed acquisition of up to 25% of the total outstanding public voting shares of Fairfax Financial Holdings Limited.

YOU ARE FURTHER NOTIFIED that all documents filed herein can be found on the OIC website at http://www.insurance.wa.gov/orders/hearings_proceedings1.shtml. Further, all interested individuals and entities may submit comments on, or objections to, this request for exemption. Said comments or objections, which will be included in the hearing record and will be considered by the undersigned prior to her making her final decision, must be submitted by 8:00 a.m. Pacific Standard Time on Monday, September 20, 2011, by fax, U.S. Mail, personal delivery, or email. The fax number of the undersigned is (360) 664-2782, her mailing address is P.O. Box 40255, Olympia, WA 98504-0255, her delivery address is 5000 Capitol Boulevard, Tumwater, Washington 98501, and her email address is PatriciaP@oic.wa.gov. Further, pursuant to RCW 48.31B.015(4)(b), any person whose interest is affected may present evidence, examine and cross-examine witnesses, and offer oral and written arguments, and in connection therewith may conduct discovery proceedings as authorized by Title 34 RCW.

Finally, all parties may participate in the hearing. They may examine witnesses and fully respond and present evidence and argument on all issues involved, as required by the Administrative Procedure Act. The hearing will be governed by the Administrative Procedure Act, Chapter 34.05 RCW, and the model rules of procedure contained in Chapter 10-08 WAC. A party who fails to attend or participate in any stage of the proceeding may be held in default in accordance with Chapter 34.05 RCW.

The Insurance Commissioner will be represented by Charles Brown, Esq., Sr. Staff Attorney in his Legal Affairs Division. He can be reached at Office of the Insurance Commissioner, P.O. Box 40255, Olympia, WA 98504, (360) 725-7044, or CharlesB@oic.wa.gov. Capital Group Companies, Inc. and the CGC Management Companies will be represented by J. Michael Low, Esq. of Low & Cohen, PLLC, 2999 North 44th Street, Suite 550, Phoenix, AZ 85018, (602)648-4040 or mlow@lowcohen.com.

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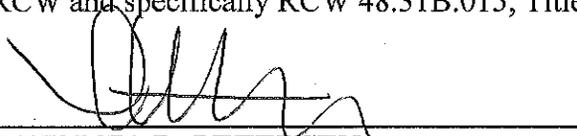
Matter No. 11-0162

Based upon a delegation of authority from the Insurance Commissioner, the undersigned will conduct the hearing and will make the final decision and enter the final order relative to this matter without input from the Insurance Commissioner or his staff or any other individual who has knowledge of the issues here, except as will be presented as evidence in the hearing. Her address is Office of the Insurance Commissioner, P.O. Box 40255, Olympia, WA 98504-0255 and her telephone number is (360) 725-7105. All questions or concerns should be directed to Kelly Cairns, Paralegal to the undersigned, who may be reached at the telephone, e-mail and fax number specified above.

On August 10, 2011, the undersigned held a first prehearing conference in this matter. The Insurance Commissioner appeared pro se, by and through Charles Brown, attorney in his Legal Affairs Division. Capital Group Companies and CGC Management Companies were represented by J. Michael Low, Esq. During said first prehearing conference, the undersigned identified the parties and responded to all questions and concerns of the parties. As stated above, should any party have any further questions or concerns prior to the hearing date, they are advised to telephone or e-mail Kelly Cairns, paralegal to the undersigned, for assistance or to schedule a second prehearing conference if necessary.

Pursuant to WAC 10-08-040(2) and in accordance with chapter 2.42, RCW, if a limited English-speaking or hearing impaired or speech impaired party or witness needs an interpreter, a qualified interpreter will be appointed. There will be no cost to the party or witness therefore, except as may be provided by ch. 2.42, RCW. Following this Notice is a form you may use to advise the Chief Hearing Officer of your need for an interpreter.

ENTERED at Tumwater, Washington, this 9th day of September, 2011, pursuant to Title 48 RCW and specifically RCW 48.31B.015, Title 34 RCW, and regulations applicable thereto.


PATRICIA D. PETERSEN
Presiding Officer
Chief Hearing Officer

Declaration of Mailing

I declare under penalty of perjury under the laws of the State of Washington that on the date listed below, I mailed or caused delivery through normal office mailing custom, a true copy of this document to the following people at their addresses listed above: James P. Ryan, Senior Vice President, Capital Group Companies, Inc., J. Michael Low, Esq., Eric Salsberg, Vice President, Fairfax Financial Holdings Limited, Mike Kreidler, Michael G. Watson, Carol Sureau, Esq., Charles Brown, Esq., James T. Odiorne, CPA, JD, and Ronald Pastuch, CPA.

DATED this 9th day of September, 2011.


KELLY A. CAIRNS

HEARINGS UNIT
Fax: (360) 664-2782

Patricia D. Petersen
Chief Hearing Officer
(360) 725-7105

Kelly A. Cairns
Paralegal
(360) 725-7002
KellyC@oic.wa.gov

To request an interpreter, complete and mail this form to:

Chief Hearing Officer
Office of Insurance Commissioner
P.O. Box 40255
Olympia, WA 98504-0255

REQUEST FOR INTERPRETER

I am a party or witness in Matter No. _____, before the Insurance Commissioner. I NEED AN INTERPRETER and request that one be furnished.

Please check the statements that apply to you:

I am a non-English-speaking person. I cannot readily speak or understand the English language. My primary language is _____ (insert your primary language). I need an interpreter who can translate to and from the primary language and English.

I am unable to readily understand or communicate the spoken English language because:

- I am deaf.
- I have an impairment of hearing.
- I have an impairment of speech.

[Please state below or on the reverse side any details which would assist the Commissioner or Presiding Officer in arranging for a suitable interpreter or in providing appropriate mechanical or electronic amplification, viewing, or communication equipment.]

Date: _____

Signed: _____

Please print or type your name: _____

Address: _____

Telephone: _____