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OFFICE OF
INSURANCE COMMISSIONER

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BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Disclaimer of)	
Control of)	No. 11-0162
)	
FAIRFAX FINANCIAL HOLDINGS)	ORDER GRANTING EXEMPTION
LIMITED, the Ultimate Controlling)	RELATIVE TO THE PURCHASE
Person of COMMONWEALTH)	OF ADDITIONAL VOTING
INSURANCE COMPANY OF)	SHARES
AMERICA, the Subsidiary, and)	
A Washington Domiciled Insurer, by)	
)	
CAPITAL GROUP COMPANIES,)	
INC., and CAPITAL GROUP)	
COMPANIES MANAGEMENT)	
COMPANIES.)	
)	

TO: James P. Ryan, Senior Vice President
Capital Group Companies, Inc.
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COPY TO: Mike Kreidler, Insurance Commissioner
Michael G. Watson, Chief Deputy Insurance Commissioner
Carol Sureau, Deputy Commissioner, Legal Affairs Division
Charles Brown, Staff Attorney, Legal Affairs Division
James T. Odiorne, 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

Pursuant to Chapter 48.04 RCW, Chapter 34.05, RCW, and Chapter 48.31C RCW, and after notice to interested parties and persons (see notice detailed below), the above-entitled matter came on regularly for hearing before the Insurance Commissioner of the state of Washington, by telephone, commencing at 10:00 a.m. PST, on October 28, 2011. All persons to be affected by the above-entitled matter were given the right to be present at such hearing, during the giving of testimony, and had reasonable opportunity to inspect all documentary evidence, to examine witnesses and present oral and written statements. The Washington State Insurance Commissioner was represented by Charles Brown, Staff Attorney in his Legal Affairs Division. The Capital Group Companies, Inc. and the Capital Group Companies Management Companies (identified below) were represented by J. Michael Low, Esq. of Low & Cohen, PLLC, in Phoenix, Arizona.

NATURE OF PROCEEDING

The Capital Group Companies, Inc., a Delaware corporation, and certain of its subsidiaries which manage investments for mutual funds, institutional investors and individual investors, propose that these subsidiaries will purchase additional shares of Fairfax Financial Holdings Limited. Fairfax Financial Holdings Limited is a publicly traded Canadian corporation which is the ultimate controlling person of, and which indirectly wholly owns, Commonwealth Insurance Company of America, a Washington domestic insurance company. The Capital Group Companies, Inc. and certain of its subsidiaries propose that these subsidiaries will purchase, on behalf of their client mutual funds and institutional and individual investors, additional shares of Fairfax Financial Holdings Limited that would result in their clients owning, in the aggregate, up to 25% of the total outstanding public voting shares of Fairfax Financial Holdings Limited. For this reason, on November 23, 2010, The Capital Group Companies, Inc., and these subsidiaries filed a Request for Grant of Exemption pursuant to RCW 48.31B.015(5)(b), maintaining they will acquire this public voting stock on behalf of their clients solely for investment purposes and not for the purpose of, or having the effect of, changing or influencing the control of either Fairfax Financial Holdings Limited or Commonwealth Insurance Company of America. On June 24, 2011, the Washington State Insurance Commissioner delegated the authority to the undersigned to conduct an adjudicative proceeding to review and consider this matter and to enter a final decision approving or denying this Request pursuant to Title

34 RCW, the Administrative Procedure Act, Title 48 RCW, the Insurance Code, and particularly RCW 48.31B.015(5)(b).

FINDINGS OF FACT

Having considered the written and oral evidence presented at the hearing, the documents on file herein, and the entire hearing file, the undersigned finds as follows:

1. The hearing was duly and properly convened and all substantive and procedural requirements under the laws of the state of Washington have been satisfied. Further, on June 24, 2011, the Washington State Insurance Commissioner (“Commissioner”) properly delegated to the undersigned the authority to conduct the proceeding in this matter and to make the final decision herein.

2. The Capital Group Companies, Inc. (“CGC”) is a Delaware financial services corporation headquartered in Los Angeles, California. As their ultimate parent corporation, CGC wholly owns many subsidiary corporations operating in the financial services industries nationally and worldwide. There are two principal subsidiaries of CGC which provide investment management services: Capital Group International, Inc. and Capital Research and Management Company. Capital Research and Management Company conducts its business operations through two divisions, Capital Research Global Investors and Capital World Investors. [Testimony and Affidavit of Walt Burkley, Vice President and Senior Counsel for CGC.] The investment and management services provided by these entities are provided to the American Funds Family of Mutual Funds and financial institutions and high net worth investors throughout the world. Capital Group International, Inc., Capital Research Global Investors and Capital World Investors are all Section 13(g) filers with the U.S. Securities and Exchange Commission, which gives them discretionary investment authority to purchase and sell securities for the various mutual funds and institutional and individual clients’ investments which they manage. They are passive investors and only hold securities in the ordinary course of business and not for control purposes. [Ex. 1, November 23, 2010 Request for Exemption/Disclaimer of Control, Supplemental letters dated February 28 and April 27, 2011; Organization Chart; Testimony and Written Testimony of Walt Burkley; Testimony and Declaration of Ronald J. Pastuch, Holding Company Manager with the Washington State Office of the Insurance Commissioner.] Capital Group International, Inc., Capital Research Global Investors and Capital World Investors are hereinafter referred to as “the CGC Management Companies.”

3. Fairfax Financial Holdings Limited (“FFH”) is a Canadian publicly traded corporation. Among other entities, FFH wholly owns Commonwealth Insurance Company of America. As of June 30, 2011, and with no material changes since that time, the corporate structure of FFH is as follows: FFH has two classes of outstanding common (voting) shares, one being Multiple Voting Shares (MVS) and the other being Subordinate Voting Shares (SVS), both classes of which are identical in their terms except that the MVS carry 10 votes per share while the SVS carry 1 vote per share. This structure, which is not uncommon in Canada, results in control of a corporation continuing in a founding family and in protection from hostile or opportunistic takeover bids. FFH’s outstanding

voting shares consist of 1,548,000 MVS, all of which are owned by The Sixty Two Investment Company Limited, a private Watsa family holding company controlled by an individual, W. Prem Watsa, and 19,636,876 publicly traded SVS. Because the MVS which Mr. Watsa controls represent over 44% of the total votes attached to all of FFH's outstanding voting shares including both MVS and SVS, through his control of these MVS and his additional holdings of SVS, Mr. Watsa controls approximately 44.9% of all of FFH's outstanding voting shares and is recognized as FFH's controlling shareholder. Mr. Watsa also serves as FFH's Chairman and Chief Executive Officer. Mr. Watsa has no intention of selling FFH and no investors in FFH should have any expectation of benefiting from a takeover bid. [Ex. 1; Oral and Written Testimony of Eric Salsberg, FFH's Vice President of Corporate Affairs; Testimony and Declaration of Ronald Pastuch.]

4. Commonwealth Insurance Company of America ("Commonwealth") is 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. [Ex. 1, Commonwealth's Washington Certificate of Authority.]

5. As stated above, as of June 30, 2011, FFH had 19,636,876 outstanding publicly traded Subordinate Voting Shares (SVS) which carry one vote per share. [Testimony and Affidavit of Eric Salsberg.] As of September 30, 2011, the mutual funds, institutional investors and client accounts managed by the CGC Management Companies held, collectively, 1,599,791 of such shares, representing 9.22% of such shares. [Testimony and Affidavit of Walt Burkley, Vice President and Senior Counsel of CGC.] At this time, CGC and the CGC Management Companies propose that the CGC Management Companies purchase additional publicly traded stock of FFH that may result in the mutual funds, institutional investors and individual client accounts managed by the CGC Management Companies owning, in the aggregate, up to 25% of the total authorized, issued and outstanding publicly traded stock of FFH. [Ex. 1; Testimony and Affidavit of Walt Burkley; Testimony and Declaration of Ronald Pastuch.] Further, because the CGC Management Companies are wholly owned subsidiaries of CGC, CGC may be deemed to control the Commonwealth stock held by such mutual funds, institutional investors and client accounts, notwithstanding the fact that the record owners of such shares would actually be the individual mutual funds, institutional investors and/or individual clients managed by the CGC Management Companies. For this reason, CGC has also filed this Request for Exemption on its own behalf. (It should be noted that, while The Capital Group Companies, Inc. and the CGC Management Companies request authority to purchase up to 25% of the authorized, issued and outstanding voting common stock of FFH, this 25% amount effectively equates to only approximately 14% of the total votes attached to all of FFH's outstanding voting shares because of the SVS and MVS corporate structure of FFH which is outlined above. [Ex. 1; Testimony and Affidavit of Eric Salsberg; Testimony and Declaration of Ronald Pastuch.]

6. Because the proposed total aggregate amount of shares of FFH which the mutual funds, institutional investors and individual clients managed by the CGC Management Companies would ultimately own would exceed 10%, on November 23, 2010, James P. Ryan, Sr. Vice President of CGC, filed a Disclaimer of Affiliation and Control and Request

for Exemption from the prior notice and approval requirements of RCW 48.31C.030, in connection with CGC's and the CGC Management Companies' proposed purchase of these additional authorized, issued and outstanding voting common shares of FFH. [Ex. 1; Testimony and Affidavit of Walt Burkley; Testimony and Declaration of Ronald Pastuch.]

7. CGC and the CGC Management Companies agree that in no event will any mutual fund, institutional investor or individual client on whose behalf the CGC Management Companies provides investment management services own more than 9.9% of the voting common stock of FFH, and further agree that in no event will the total holdings of all entities whose assets are managed by the CGC Management Companies exceed 25% of the total publicly traded stock of FFH when all CGC managed investments in FFH are aggregated. [Ex. 1; Testimony and Affidavit of Walt Burkley; Testimony and Declaration of Ronald Pastuch.]

8. The CGC Management Companies are all passive investors and only purchase and hold securities for their clients in the ordinary course of business, solely for investment purposes, and not for purposes of control. [Ex. 1; Testimony and Affidavit of Walt Burkley.]

9. The proposed additional share acquisition of FFH by the CGC Management Companies would not affect the ability of FFH or Commonwealth to direct or cause the direction of the management and policies of Commonwealth. Further, CGC's only affiliation with Commonwealth will result from the ownership of voting common stock of FFH by clients of the CGC Management Companies. Further, CGC does not own shares of FFH for its own account and the shares currently held by the CGC Management Company's clients, and those shares which are proposed to be acquired, have not been and will not be acquired for the purpose of affecting, changing or influencing the control of either FFH or Commonwealth. [Ex. 1; Testimony and Affidavit of Walt Burkley].

10. CGC and the CGC Management Companies' filing is complete and the proposed transaction will not be entered into for the purpose of, and would not have the effect of, changing or influencing either FFH or Commonwealth. [Ex. 1; Testimony and Affidavit of Walt Burkley; Testimony and Declaration of Ronald Pastuch.]

11. The Notice of Hearing in this matter, which contains information concerning this application and the public hearing thereon, was published in its entirety on the Washington State Insurance Commissioner's website beginning on September 9, 2011, and on September 12, 2011, an announcement was posted on the Commissioner's website concerning the hearing on this proposed Request for Exemption/Disclaimer of Control, informing the public of the September 20, 2011 hearing and the nature of the hearing and invites any interested parties to submit comments and/or to appear and testify or otherwise participate in the hearing. That notice, together with the Amended Notice of Hearing herein continuing the hearing date until October 28, 2011, remained on the Commissioner's website until after October 28, 2011. This Notice constitutes reasonable and adequate notice to interested parties. [Ex.1; Testimony and Declaration of Ronald Pastuch.]

12. As indicated in the subject Notice of Hearing, all interested parties were given the opportunity to submit any comments on, or objections to, this proposed acquisition to the undersigned by fax, U.S. mail, personal delivery, or e-mail. All interested parties were also advised in said Notice of Hearing that they would be given the opportunity to present evidence at hearing and to examine and cross-examine witnesses and offer oral and written arguments, and in connection therewith to conduct discovery proceedings. Other than ordinary filings made into the hearing file by the parties, no comments, questions or objections were received by the Commissioner [Testimony of Ronald J. Pastuch] or by the undersigned. Because no comments, adverse or otherwise, and no objections, were received from any individual or entity, it is here found that no reasonable objection to this application exists.

13. Walt Burkley, Vice President and Senior Counsel for CGC, appeared by telephone as a duly qualified witness on behalf of CGC and the CGC Management Companies. Mr. Burkley presented his testimony in a detailed and credible manner and exhibited no apparent biases.

14. Eric Salsberg, Vice President of Corporate Affairs for FFH, appeared by telephone as a duly qualified witness on behalf of FFH. Mr. Salsberg presented his testimony in a detailed and credible manner and exhibited no apparent biases.

15. Ronald J. Pastuch, Holding Company Manager in the Company Supervision Division of the Washington State Office of the Insurance Commissioner, appeared as a duly qualified witness on behalf of the Washington State Insurance Commissioner. Mr. Pastuch presented his testimony in a detailed and credible manner and exhibited no apparent biases.

16. Based upon the above Findings of Facts, it is here found that it is reasonable that CGC's and the CGC Management Companies' Request for an Order Granting Exemption relative to their proposed acquisition of additional shares of FFH, which may result in the clients of the CGC Management Companies owning an aggregate of up to 25% of the total authorized, issued and outstanding voting stock of FFH, the ultimate controlling person of Commonwealth Insurance Company of America, under the terms specified above, should be granted.

CONCLUSIONS OF LAW

1. Pursuant to Title 48 RCW, the Insurance Commissioner has jurisdiction over this matter, and properly convened a hearing to hear and determine the merits of the proposed transaction herein. Further, the undersigned has been at all times pertinent hereto properly delegated the authority to conduct all matters prior to, during and after the adjudicative proceeding in this matter, and to make the final determination herein.

2. The Capital Group Companies, Inc., and the CGC Management Companies, properly filed a Request for an Order Granting Exemption relative to the proposed purchase of additional shares of Fairfax Financial Holdings Limited, pursuant to RCW 48.31B.015(5)(b), and such application contains the information required for consideration of their Request.

3. RCW 48.31B.015(5)(b) provides that the Commissioner may by Order exempt from the requirements of RCW 48.31B.015 an offer, request, invitation, agreement, or acquisition that the Commissioner determines (i) as 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. Based upon the Findings of Fact above, the proposed acquisition of additional publicly traded voting shares of Fairfax Financial Holdings Limited by CGC and the Capital Management Companies for ownership by the mutual funds, institutional investors and individual clients to which the CGC Management Companies provides investment services, upon the terms set forth in the Findings of Facts above, will not be made or entered into for the purpose of changing or influencing the control of Commonwealth Insurance Company of America, as contemplated by RCW 48.31B.015(5)(b).

4. Further, the proposed acquisition of additional publicly traded voting shares of Fairfax Financial Holdings Limited by CGC and the Capital Management Companies for ownership by the mutual funds, institutional investors and individual clients to which the CGC Management Companies provides investment services, upon the terms set forth in the Findings of Facts above, will not have the effect of changing or influencing the control of Commonwealth Insurance Company of America as contemplated by RCW 48.31B.015(5)(b).

5. After consummation of the acquisition of additional publicly traded voting shares of Fairfax Financial Holdings Limited by CGC and the Capital Management Companies for ownership by the mutual funds, institutional investors and individual clients to which the CGC Management Companies provide investment services, upon the terms set forth in the Findings of Facts above, Fairfax Financial Holdings will continue to be the ultimate controlling person of Commonwealth Insurance Company of America.

6. Based upon the above Findings of Fact, reasonable notice to interested parties has been given, and no reasonable objections exist.

7. Based upon the above Findings of Fact, Title 48 RCW and particularly RCW 48.31B.015 relating to the control of a domestic insurer, it is hereby concluded that the Request for Exemption filed by The Capital Group Companies, Inc. and the CGC Management Companies, exempting them from the prior notice and approval requirements otherwise required by RCW 48.31B relative to their prospective purchase of additional shares of Fairfax Financial Holdings Limited should be granted subject to the conditions set forth above.

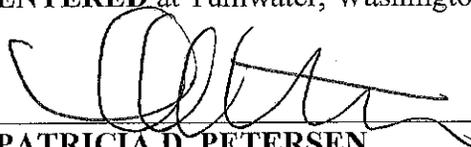
ORDER

On the basis of the foregoing Findings of Fact and Conclusions of Law, to the effect that the statutory criteria for approval of the Request for Exemption filed herein have been met, IT IS HEREBY ORDERED that Request for Exemption of The Capital Group Companies, Inc., Capital Group International, Inc., Capital Research Global Investors and Capital World Investors is GRANTED. Approval is given, under the terms set forth below, for Capital Group International, Inc., Capital Research Global Investors and Capital World Investors to purchase additional authorized, issued and outstanding shares of common stock of Fairfax Financial Holdings Limited, to be owned by the mutual funds, institutional investors and individual clients to whom Capital Group International, Inc., Capital Research Global Investors and Capital World Investors provide investment services.

IT IS FURTHER ORDERED that this Order Granting Exemption and approving this proposed purchase is conditioned upon strict compliance with the representations set forth by the parties in this proceeding, namely: 1. No mutual fund, institutional investor or individual client account to which Capital Group International, Inc., Capital Research Global Investors or Capital World Investors provides investment services shall own in excess of 9.9% of the total authorized, issued and outstanding shares of FFH (both SVS and MVS); 2. The aggregate ownership of Fairfax Financial Holdings Limited by all mutual funds, institutional investors and individual client accounts to which Capital Group International, Inc., Capital Research Global Investors and Capital World Investors provides investment services shall not at any time exceed 25% of the total authorized, issued and outstanding shares of Fairfax Financial Holdings Limited.

This Order is entered pursuant to Title 48 RCW, and specifically RCW 48.31B.015, Title 34 RCW, and regulations applicable thereto. This Order is effective as of October 28, 2011, which was the date of the oral order granting this Request for Exemption entered at close of the adjudicative proceeding held on that date.

ENTERED at Tumwater, Washington, this 15th day of November, 2011.



PATRICIA D. PETERSEN
Chief Hearing Officer
Presiding 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 15th day of November, 2011.



KELLY A. CAIRNS