

Holding Company Form B

**COMMONWEALTH INSURANCE COMPANY OF AMERICA**

**ITEM 7**

**HOLDING COMPANY FORM "B" REGISTRATION STATEMENT**

Attached is the 2013 Form "B" registration statement for Commonwealth Insurance Company of America. Due to the length of certain exhibits to this filing, not all exhibits have been included.

FORM B

INSURANCE HOLDING COMPANY SYSTEM  
ANNUAL REGISTRATION STATEMENT

Filed with the Insurance Department of  
the State of Washington

By

COMMONWEALTH INSURANCE COMPANY of AMERICA  
("Registrant")

On Behalf of the Following Insurance Company

Name	Address
Commonwealth Insurance Company of America	468 Nez Perce Place LaConner, WA 98257

Date: May 15, 2014

Name, Title, Address and Telephone Number of Individual to Whom Notices and  
Correspondence Concerning This Statement Should Be Addressed:

Ms. Sherryl Scott  
Counsel and  
Assistant Secretary  
Commonwealth Insurance Company of America  
250 Commercial Street, Suite 5000  
Manchester, NH 03101  
(603) 656-2268

ITEM 1 IDENTITY AND CONTROL OF REGISTRANT

(a) Exact Name and Home Office Address of Registrant:

Commonwealth Insurance Company of America  
c/o Larry Kibeee  
468 Nez Perce Place  
LaConner, WA 98257

- (b) Principal Office of Registrant:
- 250 Commercial Street, Suite 5000  
Manchester, NH 03101
- (c) Date on which Registrant became part of the Insurance Holding Company System:
- January 17, 1995
- (d) Method of Control: 100% of the voting shares owned by direct parent - TIG Insurance Company.

On January 1, 2013, Northbridge Indemnity Insurance Corporation ("Northbridge Indemnity") sold 100% of outstanding stock of the company to TIG Insurance Company ("TIG"). TIG is a California domiciled stock insurer and an indirect subsidiary of Fairfax. Northbridge Indemnity will provide the company with certain claim handling services. RiverStone Resources, LLC will provide reinsurance recovery, financial, actuarial and other management services.

The ultimate controlling parent company of the Registrant is Fairfax Financial Holdings Limited ("Fairfax"), which owns indirectly 100% of the outstanding common shares of TIG.

## ITEM 2 ORGANIZATIONAL CHART

Attached as Exhibit A are organizational charts indicating the ownership of TIG Holdings, Inc. and its subsidiaries and all other companies in the Fairfax Financial Holdings Limited group effective as of March 31, 2014.

## ITEM 3 THE ULTIMATE CONTROLLING PERSON

- (a) The name of the Ultimate Controlling Person ("UCP") is Fairfax Financial Holdings Limited ("Fairfax"), whose Chairman, V. Prem Watsa, presently has voting control, directly or indirectly, of 43.95% of the total votes attached to all classes of shares.
- (b) The home address of UCP is 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada, M5J2N7.
- (c) UCP is a public Canadian financial services holding company, incorporated on March 13, 1951.

As of March 31, 2014 UCP has outstanding 20,865,653 subordinate voting shares and 1,548,000 multiple voting shares. Each subordinate voting share carries one vote per share at all meetings of shareholders except for separate meetings of holders of another class of shares. Each multiple voting share carries ten votes per share at all meetings of shareholders except in certain circumstances (which have not occurred) and except for separate meetings of holder of another class of shares. The outstanding subordinate voting shares currently represent 57.4% of the total votes attached to all classes of the UCP's outstanding shares.

The Sixty Two Investment Company Limited ("Sixty Two") owns 50,620 subordinate voting shares and 1,548,000 multiple voting shares, representing 42.7% of the total votes attached to all classes of shares of UCP (100% of the total votes attached to the multiple voting shares and 0.24% of the total votes attached to the subordinate voting shares.) V. Prem Watsa, the Chairman and a director of UCP, controls Sixty Two and himself beneficially owns an additional 258,115 subordinate voting shares and exercises control or direction over an additional 2,100 subordinate voting shares. These shares, together with the shares owned directly by Sixty Two, represent 43.45% of the total votes attached to all classes of shares of UCP (100% of the total votes attached to the multiple voting shares and 1.5% of the total votes attached to the subordinate voting shares).

To the knowledge of the directors and officers of UCP, there are no other persons who beneficially own (directly or indirectly) or exercise control or direction over more than 10% of the votes attached to any class of shares of UCP.

- (d) There are no court proceedings looking toward the reorganization or liquidation of Fairfax.

#### ITEM 4 BIOGRAPHICAL INFORMATION

Attached as Exhibit B is the following information for the directors and executive officers of the UCP: the individual's name and address, his principal occupation and all offices and positions held during the past five years. Fairfax has advised that, to the best of its knowledge, no director or officer has been convicted of any crimes, other than minor traffic violations, during the past ten years.

Ms. M. Jane Williamson left the company March 2013. Mr. Vinodh Loganadhan was added as Vice President, Administrative Services. Also, Mr. John C. Varnell's title changed to Vice President, Corporate Development. Lastly, Mr. David J. Bonham's title changed to Vice President and Chief Financial Officer.

## ITEM 5 TRANSACTIONS AND AGREEMENTS

(a) Loans, other investments, or purchases, sales or exchanges of securities of their affiliates by the Registrants or of the Registrants by any of their affiliates are as follows:

None

(b) Purchases, sales, or exchanges of assets

None

(c) All management and service contracts and all cost-sharing arrangements other than cost allocation arrangements, based upon generally accepted accounting principles, but including agreements previously disclosed, are as follows:

1. Service and Cost-Allocation Agreement between the Registrant and an affiliated company, Northbridge Indemnity effective January 1, 2013.
2. An Investment Management Agreement with Hamblin Watsa Investment Counsel Ltd., an affiliated company, and Fairfax Financial Holdings Limited, the ultimate controlling parent company dated December 27, 2012.
3. Renewal Rights Transfer Agreement between the Registrant and an affiliated company, Northbridge Indemnity dated December 20, 2012.
4. Management Services Agreement between the Registrant and an affiliated company, RiverStone Resources LLC dated December January 1, 2013.
5. Claim Administration Services Agreement between the Registrant and an affiliated company, RiverStone Claims Management LLC dated January 1, 2013.
6. A Tax and Compliance Services Agreement between the Registrant and an affiliated company, Fairfax (US), Inc. dated January 1, 2013.

(d) Reinsurance agreements:

An Excess of Loss Reinsurance Agreement between the Registrant and an affiliated company, Northbridge Indemnity dated January 1, 2013.

Over time Registrant has entered into numerous normal course reinsurance transactions. The following table summarizes information reflected in Schedule F of Registrant's 2013 annual statement:

Commonwealth Insurance Company  
of America

Amounts due from affiliates under reinsurance agreements, net of collateral held

As of December 31, 2013

(000 omitted)

<u>Affiliate</u>	<u>Amount</u>
Odyssey America Reinsurance	140
CRC Reinsurance Limited	60
Northbridge Insurance Company	854

(e) Dividends and other distributions to shareholders:

None

(f) Consolidated Tax Allocation arrangements:

Intercompany Tax Allocation Agreement between Fairfax (US), Inc. and Registrants as well as numerous other affiliates, effective as of January 7, 2013, whereby the parties file a consolidated federal income tax return under Internal Revenue Code Section 1501 et seq.

(g) Any pledge of the Registrant's stock or of the stock of any subsidiary or controlling affiliate, for a loan made to any member of the Insurance Holding Company System.

None

**ITEM 6 LITIGATION OR ADMINISTRATIVE PROCEEDINGS**

A brief description of any litigation or administrative proceedings of the following types, either then pending or concluded within the preceding fiscal year, to which the UCP or any of its directors or executive officers was a party or of which the property of any such person is or was the subject as follows:

- (a) Criminal prosecutions or administrative proceedings by any government agency or authority, which may be relevant to the trustworthiness of any party thereto.

None

- (b) Proceedings which may have a material effect upon the solvency or capital structure of any admitted insurer member of the holding company system including, but not necessarily limited to, bankruptcy, receivership, or other corporate reorganizations, and litigation drawing in question the validity of the issued and outstanding shares of any such admitted or non-admitted insurer member, or of the UCP.

None

**ITEM 7 STATEMENT REGARDING PLAN OR SERIES OF TRANSACTIONS**

The Registrant hereby states that transactions entered into since the filing of last year's registration statement are not part of a plan or series of transactions, the purpose of which is to avoid statutory threshold amounts and the review that might otherwise occur.

**ITEM 8 FINANCIAL STATEMENTS AND EXHIBITS**

Attached Exhibits:

- A. Organizational Charts
- B. Biographical Information
- C. 2013 Fairfax Financial Holdings Limited Annual Report
- D. Proxy Material
- E. 2013 Statutory Annual Statements

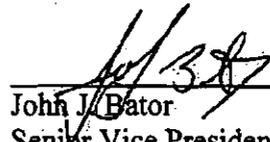
**ITEM 9 FORM C**

A Form C, Summary of Registration Statement, is filed concurrently with this Form B.

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached Summary of Registration Statement dated May 15, 2014 for and on behalf of Commonwealth Insurance Company of America; that he is the Senior Vice President and Chief Financial Officer of the Registrant and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Commonwealth Insurance Company of  
America

  
\_\_\_\_\_  
John J. Bator  
Senior Vice President & Chief  
Financial Officer

ITEM 10 SIGNATURES AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Section 6, Chapter 462, Laws of 1993, the Registrant has caused this annual registration statement to be duly signed and sealed on its behalf in the City of Manchester, State of New Hampshire on May 15<sup>th</sup> 2014.

COMMONWEALTH INSURANCE COMPANY  
OF AMERICA

By:   
\_\_\_\_\_  
John J. Bator  
Senior Vice President & Chief Financial Officer

Attest:

By:   
\_\_\_\_\_  
Sherryl Scott, Secretary

FORM C

SUMMARY OF REGISTRATION  
STATEMENT

FILED WITH THE INSURANCE  
DEPARTMENT OF THE STATE OF  
WASHINGTON

BY

COMMONWEALTH INSURANCE COMPANY OF  
AMERICA

On Behalf of the Following Insurance Company:

Name	Address
Commonwealth Insurance Company of America	468 Nez Perce Place LaConner, WA 98257

Date: May 15, 2014

Name, Title, Address and Telephone Number of Individual to Whom Notice and  
Correspondence concerning this Statement Should be Addressed:

Ms. Sherryl Scott  
Secretary and Counsel  
Commonwealth Insurance Company  
of America  
250 Commercial Street, Suite 5000  
Manchester, NH 03101  
(603) 656-2268

ITEM 1 (d) Method of Control: 100% of the voting shares owned by direct parent – TIG  
Insurance Company

The direct parent changed from Northbridge Indemnity Insurance  
Corporation to TIG Insurance Company effective January 1, 2013.

The Ultimate Controlling Person:

- (f) The name of the Ultimate Controlling Person ("UCP") is Fairfax Financial Holdings Limited ("Fairfax"), whose Chairman, V. Prem Watsa, as of December 31, 2011 has voting control, directly or indirectly, of 43.96% (45.2% reported 4/2013) of the total votes attached to all classes of shares.
- (g) As of March 31, 2014 UCP has outstanding 20,865,653 (19,493,151 reported 4/2013) subordinate voting shares and 1,548,000 multiple voting shares. Each subordinate voting share carries one vote per share at all meetings of shareholders except for separate meetings of holders of another class of shares. Each multiple voting share carries ten votes per share at all meetings of shareholders except in certain circumstances (which have not occurred) and except for separate meetings of holder of another class of shares. The outstanding subordinate voting shares currently represent 57.4% (55.7% reported 4/2013) of the total votes attached to all classes of the UCP's outstanding shares.

The Sixty Two Investment Company Limited ("Sixty Two") owns 50,620 subordinate voting shares and 1,548,000 multiple voting shares, representing 42.7% (44.4% reported 4/2013) of the total votes attached to all classes of shares of UCP (100% of the total votes attached to the multiple voting shares and .024% (0.3% reported 4/2013) of the total votes attached to the subordinate voting shares.) V. Prem Watsa, the Chairman and a director of UCP, controls Sixty Two and himself beneficially owns an additional 258,115 (257,927 reported 4/2013) subordinate voting shares and exercises control or direction over an additional 2,100 subordinate voting shares. These shares, together with the shares owned directly by Sixty Two, represent 43.45% (45.2% reported 4/2013) of the total votes attached to all classes of shares of UCP (100% of the total votes attached to the multiple voting shares and 1.5% (1.6% reported 4/2013) of the total votes attached to the subordinate voting shares).

To the knowledge of the directors and officers of UCP, there are no other persons who beneficially own (directly or indirectly) or exercise control or direction over more than 10% of the votes attached to any class of shares of UCP.

#### ITEM 4 BIOGRAPHICAL AFFIDAVIT

Attached to the Form B as Exhibit B is the following updated information for the directors and executive officers of the UCP: the individual's name and address, his principal occupation and all offices and positions held during the past five years.

Ms. M. Jane Williamson left the company March 2013. Mr. Vinodh Loganadhan was added as Vice President, Administrative Services. Also, Mr. John C. Varnell's title changed to Vice President, Corporate Development. Lastly, Mr. David J. Bonham's title changed to Vice President and Chief Financial Officer.

ITEM 5 The Excess of Loss Agreement was amended and made effective as of January 1, 2013.

The Service and Cost-Allocation Agreement was amended and made effective as of January 1, 2013.

A Renewal Rights Transfer Agreement was made effective as of December 20, 2012.

A Management Services Agreement was made effective as of January 1, 2013.

A Claim Administration Services Agreement was made effective as of January 1, 2013.

An Inter-Company Tax Allocation Agreement was amended and made effective as of January 7, 2013.

A Tax and Compliance Services Agreement was made effective as of January 1, 2013.

Over time Registrant has entered into numerous normal course reinsurance transactions. The following table summarizes information reflected in Schedule F of Registrant's 2013 annual statement:

Commonwealth Insurance Company  
of America

Amounts due from affiliates under reinsurance agreements, net of collateral held

As of December 31, 2013

(000 omitted)

<u>Affiliate</u>	<u>Amount</u>
Odyssey America Reinsurance	140
CRC Reinsurance Limited	60
Northbridge Insurance Company	854

ITEM 6 On July 25, 2011, a law suit seeking class action status was filed in the United States District Court for the Southern District of New York against Fairfax, certain of its current and former directors and officers, OddysseyRe and Fairfax's auditors. This lawsuit has been finally dismissed. This was omitted from the Form B.

ITEM 7 No change.

ITEM 7 No change

ITEM 8 No change

ITEM 9 No change

ITEM 10 No change

SIGNATURE AND CERTIFICATION

Pursuant to the requirements of Section 6, Chapter 462, Laws of 1993, the Registrant has caused this summary of registration statement to be duly signed and sealed on its behalf in the City of Manchester, State of New Hampshire, on May 15, 2014.

COMMONWEALTH INSURANCE  
COMPANY OF AMERICA

By: \_\_\_\_\_

  
John J. Bator  
Senior Vice President  
& Chief Financial Officer

ATTEST:

  
\_\_\_\_\_  
Sherryl Scott

# EXHIBIT A

Line	Change	Description
1		Fairfax Financial Holdings Limited
2		BOARD OF CORPORATE STRUCTURE AS OF MARCH 31, 2014
3		Ownership and voting percentages of subsidiary companies is 100% unless otherwise indicated, ownership, voting.
4		Notes:
5		(1) Fairfax ownership of ORH Holdings Inc. is 100%.
6		TIG Insurance Company (97.50%) and Fairfax (US) Inc. (2.50%)
7	Change	Fairfax ownership of TRG Holdings (US) Inc. is 100%.
8		Class II non-voting stock owned by: Xerox Holdings Inc. (73.80%), Fairfax (US) Inc. (26.20%)
9	Correction	Fairfax ownership of Odyssey Re Holdings Corp. is 100%.
10		TIG Insurance Group Inc. (40.73%), TIG Insurance Company (0.83%), ORH Holdings Inc. (11.54%), Fairfax (US) Inc. (30.80%) and United States Fire Insurance Company (0.10%).
11		(4) Subsidiaries are not listed. Please refer to the notes.
12		(5) Fairfax ownership of Advent Capital (Holdings) Ltd. is 100%.
13		Fairmont Specialty Insurance Company (11.78%), Hudson Specialty Insurance Company (2.20%), Odyssey Reinsurance Company (14.82%),
14	Change	TIG Insurance Company (0.51%), CRC Reinsurance Limited (14.78%) and Fairfax (Barbados) International Corp. (0.20%).
15		Fairfax ownership of AMIC Asia Fund is 100%. See Schedule A for ownership details. Updated as of March 31, 2014.
16	Change	(7) Fairfax ownership of Northbridge Financial Corporation is 100%.
17		TIG Insurance Company (20.72%), 1874617 Ontario Limited (23.30%), 1874618 Ontario Limited (0.96%), 1822671 Ontario Limited (0.42%), FPHL Group Ltd. (29.90%) and Northbridge Share Option 1 Corp. (0.70%).
18		(8) Fairfax ownership of Zenith Insurance Services Inc. is 100%.
19	Change	Fairfax ownership of Zenith Insurance Services Inc. is 100%.
20		Northbridge Commercial Insurance Corporation (0.12%), Federated Insurance Company of Canada (5.41%),
21		Northbridge General Insurance Corporation (0.54%), Fairfax Financial Holdings Limited (41.77%) and Northbridge Financial Corporation (0.73%).
22		(11) Fairfax ownership of Fairfax Brasil Participações Ltda. is 100%.
23		Fairfax ownership of Shingora Reinsurance Corporation Limited is 27.56%.
24		(12) Fairfax ownership of Zenith Brasil Seguros Companhia S.A. is 100%.
25		Fairfax ownership of Odyssey Reinsurance Company Escribano de Representação do Brasil Ltda. is 100%.
26		Odyssey Reinsurance Company (89.90%) and Odyssey Reinsurance Company (0.10%).
27		(14) Fairfax ownership of Odyssey Reinsurance Company Escribano de Representação do Brasil Ltda. is 100%.
28		Odyssey Reinsurance Company (89.90%), United States Fire Insurance Company (0.70%) and FPHL Group Ltd. (0.10%).
29		(15) Fairfax ownership of Zenith National Services Inc. is 41.79%.
30		CRC Reinsurance Limited (15.29%), Northbridge Commercial Insurance Corporation (3.37%), The North River Insurance Company (0.10%), and Odyssey Reinsurance Company (0.07%).
31		(16) Fairfax ownership of Achor Memorial Services Inc. is 100%.
32		Northbridge Personal Insurance Corporation (0.37%), Odyssey Reinsurance Company (0.54%) and Northbridge Financial Corporation (2.77%).
33	Change	Northbridge General Insurance Corporation (0.57%), Northbridge Personal Insurance Corporation (0.37%), Odyssey Reinsurance Company (0.00%) and Federated Insurance Company of Canada (3.00%).
34	Change	Fairfax ownership of Key Restaurants Ltd. is 51.00%.
35	Change	FPHL Limited Partnership (40.00%), Northbridge General Insurance Corporation (0.00%) and Federated Insurance Company of Canada (3.00%).
36	Change	United States Fire Insurance Company (18.30% LP interest), Warrith Insurance Company (0.70% LP interest), Odyssey Reinsurance Company (0.40% LP interest), Zenith Insurance Company (18.85% LP interest),
37	Correction	United States Fire Insurance Company (18.30% LP interest), Warrith Insurance Company (0.70% LP interest), Odyssey Reinsurance Company (0.40% LP interest), Zenith Insurance Company (18.85% LP interest),
38		Fairfax ownership of Fairbridge Capital (Mauritius) Limited (88.69%) and Fairfax (Barbados) International Corp. (0.01%).











- Change: Note (C) change to ownership percentages of Class II non-voting stock.
- Change: Note (B) subscription for additional HVVC Asia Fund Class H shares effective March 4, 2014.
- Change: Note (10) change to ownership percentages of Aldor Memorial Services, Inc.
- Change: Note (16) change to ownership percentages of Aldor Memorial Services, Inc.
- Change: Note (17) Keg Restaurants Ltd. shares acquired effective February 4, 2014.
- Change: Note (18) FFRH Limited Partnership formed on January 30, 2014 to acquire interest in Keg Restaurants Ltd.
- Change: Page 1 NorthBridge Indemnity Insurance Corporation merged with and into NorthBridge General Insurance Corporation effective January 1, 2014.
- Change: Page 1 18110805 Canada Inc. incorporated effective March 9, 2014.
- Change: Page 1 FPHL Swiss AG dissolved effective February 11, 2014.
- Change: Page 1 American Safety Assurance, Ltd. name changed to Mohawk River Insurance Co. Ltd. effective February 3, 2014.
- Change: Page 2 Petmarketing Insurance Co. Agency, Inc. name changed to Fairmont Specialty Insurance Agency effective March 31, 2014.
- Change: Page 2 Harville Ra dissolved effective January 30, 2014.
- Change: Page 2 MTAW Insurance Company incorporated effective January 31, 2014.
- Change: Page 3 American Safety Capital Trust II, Inc. cancelled effective January 9, 2014.

**DIRECTORS OF FAIRFAX**

Mr. Anthony F. Griffiths  
Mr. Robert J. Gunn  
Mr. Alan D. Horn  
Mr. John R.V. Palmer  
Mr. Timothy R. Price  
Mr. Brandon W. Sweitzer  
Mr. V. Prem Watsa

**OFFICERS OF FAIRFAX**

Mr. David J. Bonham  
Mr. Peter S. Clarke  
Mr. Jean Cloutier  
Mr. Vinodh Loganadhan  
Mr. Bradley P. Martin  
Mr. Paul C. Rivett  
Mr. Eric P. Salsberg  
Mr. Ronald Schokking  
Mr. John C. Varnell  
Mr. V. Prem Watsa

**DIRECTORS OF FAIRFAX**

(during the last five years)

Mr. V. Prem Watsa  
(1985 – Present)  
Chairman and Chief Executive Officer  
Fairfax Financial Holdings Limited  
95 Wellington Street West  
Suite 800  
Toronto, Ontario  
M5J 2N7

DOB: [REDACTED]

Robert J. Gunn  
(2007-Present)  
Independent Business Consultant & Corporate  
Director

[REDACTED]  
Toronto, Ontario  
[REDACTED]

DOB: [REDACTED]

Mr. John R.V. Palmer  
(April 26, 2012- Present)  
Chairman  
Toronto Leadership Centre

[REDACTED]  
Toronto, Ontario  
[REDACTED]

DOB: [REDACTED]

Mr. Brandon W. Sweitzer  
(2004 – Present)  
Dean, School of Risk Management  
St. John's University  
101 Murray Street  
New York, NY  
USA

DOB: [REDACTED]

David L. Johnston  
(2007 – September 30, 2010)  
President & Vice-Chancellor  
University of Waterloo

[REDACTED]  
Waterloo, Ontario  
[REDACTED]

Mr. Anthony F. Griffiths  
(2002 – Present)  
Independent Business Consultant and Corporate  
Director

[REDACTED]  
Toronto, Ontario  
[REDACTED]

DOB: [REDACTED]

Alan D. Horn  
(2008-Present)  
Chairman  
Rogers Communications Inc.

[REDACTED]  
Toronto, ON [REDACTED]

DOB: [REDACTED]

Timothy R. Price  
(2010-Present)  
Chairman, Brookfield Funds a division  
of Brookfield Asset Management Inc.

[REDACTED]  
Toronto, Ontario  
[REDACTED]

DOB: [REDACTED]

Mr. Paul L. Murray  
(2005 – April 15, 2009)  
President  
Pinesmoke Investments Ltd.

[REDACTED]  
Toronto, Ontario  
[REDACTED]

**OFFICERS OF FAIRFAX**

(during the last five years)

Mr. David J. Bonham  
95 Wellington Street West, Suite 800  
Toronto, Ontario

*Vice President and Chief Financial Officer*

DOB: [REDACTED]

Mr. Peter S. Clarke  
95 Wellington Street West, Suite 800  
Toronto, Ontario  
M5J 2N7

*Vice President and Chief Risk Officer*

DOB: [REDACTED]

Mr. Jean Cloutier  
95 Wellington Street West, Suite 800  
Toronto, Ontario  
M5J 2N7

*Vice President, International Operations*

DOB: [REDACTED]

Mr. Vinodh Loganadhan  
95 Wellington Street West, Suite 800  
Toronto, Ontario  
M5J 2N7

*Vice President, Administrative Services*

DOB: [REDACTED]

Mr. Bradley P. Martin  
95 Wellington Street West, Suite 800  
Toronto, Ontario  
M5J 2N7

*Vice President, Strategic Investments*

DOB: [REDACTED]

Mr. Paul C. Rivett  
95 Wellington Street West, Suite 800  
Toronto, Ontario  
M5J 2N7

*President*

DOB: [REDACTED]

Mr. Eric P. Salsberg  
95 Wellington Street West, Suite 800  
Toronto, Ontario  
M5J 2N7

*Vice President, Corporate Affairs and Corporate Secretary*

DOB: [REDACTED]

Mr. Ronald Schokking  
95 Wellington Street West, Suite 800  
Toronto, Ontario  
M5J 2N7

*Vice President, Finance and Treasurer*  
DOB: [REDACTED]

Mr. John C. Varnell  
95 Wellington Street West, Suite 800  
Toronto, Ontario  
M5J 2N7

*Vice President, Corporate Development*  
DOB: [REDACTED]

Mr. V. Prem Watsa  
95 Wellington Street West, Suite 800  
Toronto, Ontario  
M5J 2N7

*Chairman and Chief Executive Officer*  
DOB: [REDACTED]

Mr. Trevor J. Ambridge  
(April 2006 – February 2009)  
Advent Capital (Holdings) PLC  
10<sup>th</sup> Floor, Minster Court  
London EC3R 7AA, U.K.

*Vice President*

Mr. D. Gregory Taylor (resigned June 5, 2010)  
95 Wellington Street West, Suite 800  
Toronto, Ontario  
M5J 2N7

*Vice President and Chief Financial Officer*

Ms. M. Jane Williamson (2006 – March 2013)  
95 Wellington Street West, Suite 800  
Toronto, Ontario  
M5J 2N7

*Vice President*

## ANTHONY F. GRIFFITHS

Principal occupation: Independent Business Consultant and Corporate Director

### Directorships – Last 5 Years (2009-2014)

Chairman:	Russel Metals Inc. (Joined Board May 1997)	June 1997-
	Novadaq Technologies Inc. (Joined Board June 2002)	September 2002-
Director:	Blue Ant Media Inc.*	March 2010-
	Crum & Forster Holdings Corp.#	May 2003-
	Fairfax Financial Holdings Limited #•	April 16, 2002-
	MedCurrent Corporation*	March 2013-
	Northbridge Financial Corporation#•*	February 2009-
	Odyssey Re Holdings Corp.# •*	October 2009-
	Zenith National Insurance Corp.*	June 2010-

### Previous Directorships:

Gedex Inc.	January 2008-February 2014
Jaguar Mining Inc.	May 2004 – June 10, 2013
Vitran Corporation Inc.	August 1987- May 15, 2013
The Brick Ltd.	November 2009-March 28, 2013
The Brick Group Income Fund	November 2009 – December 2010
Bronco Energy Ltd.	February 2009 – November 2010
AbitibiBowater Inc.	April 2008-June 2010
PreMD Inc.	August 1995-February 2010
Northbridge Financial Corporation (Public)	April 2003-Feb. 2009
Odyssey Re Holdings Corp. (Public)	March 2001-October 2009

\* Denotes non-public company

# Denotes either a subsidiary or affiliate of Fairfax Financial Holdings Limited

• Denotes Audit Committee Member

**JOHN R.V. PALMER**

**PRINCIPAL OCCUPATION:** Chairman – Toronto Leadership Centre (2005- )  
(Leadership in Financial Supervision)

**DIRECTOR/OFFICER**

	<u>Director</u>	<u>Officer</u>
Canada Deposit Insurance Corporation (1994 – 2001)	Yes	
Manulife Financial Corporation (2009-)	Yes	
Fairfax Financial Holdings, Limited (2012-)	Yes	

**TIMOTHY R. PRICE**

**PRINCIPAL OCCUPATION:**

1997 – Present: Chairman, Brookfield Funds a division of  
Brookfield Asset Management  
51 Yonge Street, Suite 400  
Toronto, Ontario M5E 1J1

**DIRECTORSHIPS**

	<u>Director</u>	<u>Officer</u>
Fairfax Financial Holdings Limited (April 2010-)	Yes	
Astral Media Inc. (1978-2013 )	Yes	
Brookfield Funds (a division of Brookfield Asset Management Inc.) (1977-)		Chairman
Brookfield Homes Corporation (2009-2010)	Yes	
Brookfield Homes Corporation (2004-2006)	Yes	
Brookfield Residential Properties (2010-)	Yes	
Canadian Tire Corporation (2007-)	Yes	
HSBC Bank Canada (2007- )	Yes	
Moreguard REIT (2004-2009)	Yes	
Morguard Corporation (1999-2004)	Yes	
Nexfor Inc. (1991-2004)	Yes	
Q9 Networks (2004-2008)	Yes	
Brascan Financial Corporation (1996-2004)	Yes	
Brookfield Partners Foundation	Yes	
St. Michael's Hospital Foundation	Yes	
York University Foundation		Chairman
Ontario Arts Foundation	Yes	
Leacock Foundation	Yes	

**BRANDON W. SWEITZER**

**PRINCIPAL OCCUPATION:** Dean, School of Risk Management,  
Tobin College of Business  
St. John's University, NY July 1, 2011-

2005-2011 Advisor and Senior Fellow U.S. Chamber of Commerce

1981 - 2000 Marsh & McLennan Companies Inc. CFO; Region Head;  
President (Marsh, Inc.);  
Chairman, Strategic Client Development

**DIRECTORSHIPS**

	<u>Director</u>	<u>Officer</u>
Crum & Forster Holdings Corp. (2009-)	Yes	
Fairfax Financial Holdings Limited (2004-)	Yes	
Falcon Insurance Company (2003-)	Yes	
First Capital Insurance Limited	Yes	
Integro Insurance Brokers	Yes	
Odyssey Re Holdings Corp. (2002-)	Yes	
St. John's University School of Risk Management (2005-2011)	Yes	
Zenith National Insurance Corp. (2010-)	Yes	
United Educators Insurance (2010 -)		Yes

**COMMITTEE MEMBERSHIPS**

Fairfax:  
Governance & Nominating  
Compensation

Odyssey:  
Audit (Chair)  
Compensation

Crum & Forster  
Audit

Falcon Insurance Company  
Audit

## V. PREM WATSA

**PRINCIPAL OCCUPATION – 1985 to present: Chairman & Chief Executive Officer  
Fairfax Financial Holdings Limited**

	<u>Term</u>	<u>Director</u>	<u>Officer</u>
1109519 Ontario Limited	Dec 94-	Yes	President
810679 Ontario Limited	Dec 88-	Yes	President
2771489 Canada Limited	Nov 92-	Yes	President
Bank of Ireland*	June 2012- July 23, 2013	Yes	
Crum & Forster Holdings Corp.	May 03-	Yes	Chairman
Fairfax Financial Holdings Limited	1985-	Yes	Chairman & CEO
Fairfax International Holdings Limited	2009-2010	Yes	President & CEO
Fairfax Investments USA Corp.	2009-2009	Yes	Chairman & Pres.
FFHL Share Option 1 Corp.	Aug 01-	Yes	President
Hamblin Watsa Investment Counsel Ltd.	July 84-	Yes	V.P. & Secretary
ICICI Bank Ltd.*	2004-June 27, 2011	Yes	
Cunningham Lindsey Group Inc.	1987- 08	Yes	
FFHL Group Ltd.	Dec 97- Apr 02-	Yes	President & CEO
Northbridge Financial Corporation (Public Co)	Apr 03-Feb 09	Yes	Chairman
Northbridge Financial Corporation (Non-Public Co)	Feb 09-	Yes	Chairman
Odyssey Re Holdings Corp.(Public Co.)	Mar 01-09	Yes	Chairman
Odyssey Re Holdings Corp.(Non-Public Co.)	Oct 09-		
BlackBerry Ltd. (formerly Research in Motion Limited)*	Jan 2012-Aug. 12, 2013	Yes	
BlackBerry Limited	Nov 13-13	Yes	
The Sixty Four Foundation*	Dec 99-08	Yes	
The Six Four Foundation*	2008-	Yes	
The Sixty Three Foundation*	Nov 98-	Yes	
The Sixty Two Investment Company Limited	May 85-	Yes	President
TIG Holdings Inc.	Apr 99-Sept 2011	Yes	Chairman
Zenith National Insurance Corp.	June 2010	Yes	
Ivey Business School*	June 1999-	Yes	
Royal Ontario Museum*	2001-	Yes	
Sick Kids Foundation*	Jan 1998-	Yes	

\* Not Fairfax affiliates

**DAVID BONHAM**

**PRINCIPAL OCCUPATION:**

Vice President and Chief Financial Officer (Aug 1, 2012-)  
Vice President, Financial Reporting (2006-2012)  
Financial Analyst (2004-2006)  
Fairfax Financial Holdings Limited

**DIRECTOR/OFFICER**

Fairfax Financial Holdings Limited

Cunningham Lindsey Group Inc. (July 1, 2008-Dec. 2008)

Director

Officer

Vice President and  
Chief Financial Officer  
Vice President

**PETER CLARKE**

**PRINCIPAL OCCUPATION:**

Vice President and Chief Risk Officer (2006-)  
Vice President (2004-2006)  
Actuary (1997-2004)  
Fairfax Financial Holdings Limited

**DIRECTORSHIPS**

	<u>Director</u>	<u>Officer</u>
Fairfax Financial Holdings Limited		Vice President and Chief Risk Officer
Trans Global Insurance Company* (2010-Mar 28, 2013)	X	
Trans Globe Life Insurance Company* (2010-Mar 28, 2013)	X	

\*Non-public

**JEAN CLOUTIER**

**PRINCIPAL OCCUPATION:**

Fairfax Financial Holdings Limited  
Vice President, International Operations  
(May 2010-Present)  
Vice President, International (May 2009)  
Vice President and Chief Actuary (2001)  
Vice President (1999)

**DIRECTORSHIPS**

	<u>Director</u>	<u>Officer</u>
Fairfax Financial Holdings Limited		Vice President, International Operations
Northbridge Financial Corporation (May 03- Apr.16/07)	Yes	
CRC (Bermuda) Reinsurance Limited	Yes	President
Wentworth Insurance	Yes	
Polskie Towarzystwo Reasekuracj Spolka Akcyjna	Yes	
Fairfax Brazil Participações S.A.	Yes	
Advent Capital Holdings	Yes	
Gulf Insurance	Yes	
Fairfax (Barbados) International Corp.	Yes	
FFH Management Services	Yes	
Fairfax Middle East Holdings Inc.	Yes	

**VINODH LOGANADHAN**

**PRINCIPAL OCCUPATION:**

Vice President, Administrative Services (04/2013-present)  
Director of Administrative Services (08/2008-03/2013)  
Fairfax Financial Holdings Limited

**DIRECTOR/OFFICER**

Fairfax Financial Holdings Limited  
Vice President, Administrative Services

Director

Officer

X

## BRADLEY P. MARTIN

### PRINCIPAL OCCUPATION:

Vice President, Strategic Investments – March 2012 – Present  
Vice President – June 1998 – March 2012  
Corporate Secretary – September 2001 – April 27, 2012  
Chief Operating Officer November 2006 – March 2012

### DIRECTORSHIPS

	<u>Director</u>	<u>Officer</u>
Fairfax Financial Holdings Limited		Vice President, Strategic Investments Secretary
Fairfax (US) Inc. (2002-)		
FFHL Group Ltd. (1998-2001)	Yes	
FFHL Group Ltd. (2003 -)		Vice President & Secretary
Fairfax Holdings Inc. (1999-)	Yes	Vice President & Secretary
Fairfax Insurance Services Inc. (2000-2008)	Yes	Vice President
Fairfax Investments USA Corp.(2009-)	Yes	VP, Treas. & Sec.
Bank of Ireland (July 23, 2013-)	Yes	
CRC (Bermuda) Reinsurance Limited (2000-)	No	Vice President
Crum & Forster Holdings Corp. (April 2007- Oct. 2009)	Yes	
Cunningham Lindsey Group Limited (Dec. 2008-)	Yes	
Invescor Restaurant Group Inc. (Dec. 14,2011- Apr.16, 2013)	Yes	Chairman
Prime Restaurants Inc. (2012-2013)	Yes	
1296992 Ontario Limited	Yes	Vice President
1478059 Ontario Limited	Yes	Vice President
Noro Limited (2000-)	No	Vice President
Northbridge Financial Corporation (April/07-Feb./09) (Public Co)	Yes	
Northbridge Financial Corporation (Feb. 2009- June 2013) (Non-Public Co)	Yes	
Northbridge Share Option 1 Corp. (2004-2009)	Yes	Vice President
Odyssey Re Holdings Corp. (Apr. 25/07- Oct. 2009)	Yes	
Old Lyme Insurance Company of Rhode Island (2002-12/13/06)	Yes	
ORH Holdings Inc. (1999-2009)	Yes	Vice President
Resolute Forest Products (May 23, 2012-)	Yes	Chairman
Ridley Inc. (November 4, 2008-)	Yes	Chairman
The Brick Ltd. (May 24,2012-March 28, 2013)	Yes	
TIG Holdings, Inc. (Aug. 15,2006-Jan. 2014)	Yes	
TIG Insurance Group, Inc. (May 05, 2008-Jan. 2014)	Yes	
Zenith National Insurance Corp. (June 2010-)	Yes	
3077446 Nova Scotia Company (May 2003-)	Yes	Vice President
3083596 Nova Scotia Company (May 2003-)	Yes	Vice President
7004338 Canada Limited		President
Blue Ant Media (March 2010-)	Yes	
Hub International (October 2013-)		

**PAUL RIVETT**

**PRINCIPAL OCCUPATION:**

**Fairfax Financial Holdings Limited**  
President (July 2013-)  
Vice President, Operations (Aug. 1, 2012- July 2013)  
Vice President and Chief Legal Officer (2007-2012)  
Vice President (2003-2007)

**Hamblin Watsa Investment Counsel**  
Chief Operating Officer (2007-)

**DIRECTORSHIPS**

	<b><u>Director</u></b>	<b><u>Officer</u></b>
Fairfax Financial Holdings Limited(2013-)		President
Fairfax International Holdings Limited(2009-)	Yes	
Hamblin Watsa Investment Counsel Ltd. (2007-)		Chief Operating Officer
Fairfax Investments USA Corp. (2009-)	Yes	Vice President
FFHL Group Ltd. (December 2008-)	Yes	
Resolute Forest Products (April 2008- May 23, 2012) (formerly AbitibiBowater Inc.)	Yes	
MEGA Brands Inc. (October 2008-)	Yes	
Prime Restaurants (2012-)	Yes	
The Brick Ltd. (2009-May 24, 2012) (formerly The Brick Group Income Fund)	Yes	
7004338 Canada Limited (2009-)	Yes	Vice President & Secretary

**ERIC P. SALSBERG**

**PRINCIPAL OCCUPATION:** Vice President, Corporate Affairs (1989-) &  
Corporate Secretary (April 27, 2012-)  
Fairfax Financial Holdings Limited

**DIRECTORSHIPS**

	<u>Director</u>	<u>Officer</u>
1109519 Ontario Limited*	No	Secretary
2771489 Canada Limited	No	Assistant Secretary
810679 Ontario Limited*	No	Assistant Secretary
906447 Alberta Ltd.	No	Vice President
3077446 Nova Scotia Company	No	Vice President
3082596 Nova Scotia Company	No	Vice President
CRC (Bermuda) Reinsurance Limited	No	Vice President
Crum & Forster Holdings, Inc.	No	Assistant Secretary
Fairfax Financial Holdings Limited	No	VP, Corporate Affairs & Corporate Secretary
Fairfax Investments USA Corp.	Yes	Vice President
Fairfax(US) Inc. (Jan. 5, 1994-)	Yes	Vice President
Fairfax Inc. (Sept. 1, 2011-)		Chairman
FFHL Share Option 1 Corp.	Yes	Secretary
Cunningham Lindsey Group Inc.	Yes	
1296992 Ontario Limited	Yes	Vice President
1478059 Ontario Limited	Yes	Vice President
Fairfax Information Technology Services, Inc.	Yes	Vice President
Noro Limited	Yes	President
ORH Holdings Inc. (Oct. 15, 1999-)	Yes	Vice President
FFHL Group Ltd. (Dec. 10, 1997-)	Yes	Vice President
The Six Four Foundation*	Yes	
The Sixty Three Foundation*	Yes	
The Sixty Two Investment Company Limited	Yes	Secretary
Duncan Park Holdings Corporation*	Yes	
Corporate Catalyst Acquisition Inc.*	Yes	

**Past Directorships:**

Biron Bay Resources*	Fairfax Insurance Services
FCA International	Faircross Holding Corporation
Valu-Net Corporation*	FFHL Holdings Ltd.
European Gold Resources Inc.*	Northbridge Share Option 1 Corp.
Bricol Capital*	

\* These companies are not affiliated with Fairfax

**RONALD SCHOKKING**

**PRINCIPAL OCCUPATION:** Vice President and Treasurer (2006-)  
 Vice President, Finance (1991-2006)  
 Fairfax Financial Holdings Limited

**DIRECTORSHIPS**

	<u>Director</u>	<u>Officer</u>
CRC (Bermuda) Reinsurance Limited (1995-)	Yes	Chairman
Cunningham Lindsey Group Inc. (July 1, 2008- Dec. 2008)		Vice President
Chequers Insurance Company (1990-1991)	Yes	
Fairbridge Inc. (1992-2005)	Yes	
Fairfax (Barbados) International Corp. (1999-)	Yes	Chairman & VP
Fairfax (Gibraltar) Limited (2002-2007)	Yes	Chairman
Fairfax Asia Limited (2003-)	Yes	
Fairfax Financial Holdings Limited (1989-)	No	VP & Treasurer
Fairfax Holdings Inc. (1999-)	Yes	President
Fairfax Inc. (1994-2001)	Yes	
Fairfax Inc. (2001-)	No	Signing Authority
Fairfax Insurance Services Inc. (1994-2008)	Yes	Vice President
Fairfax International Holdings Ltd.(2009-2011)	Yes	Vice President
Fairfax Investments USA Corp. (2010-2011)		Vice President
Fairfax Islandi sf (2002-2005)	Yes	
Fairfax Liquidity Management Hungary LLC (1998- 2005)	Yes	
FFH (Luxembourg) S.ár.l. (2002-2007)	Yes	
Fairfax Middle East Holdings Inc. (2008-)	Yes	Chairman
Fairfax SRL (2002-2005)	Yes	Chairman
FFH Financial Holding A.G. (1999-2008)	Yes	Chairman
FFH Financial Holding S.A. (1999-)	Yes	Managing Director
FFH Management Services Ltd. (2012-)	Yes	
Fairfax Luxembourg Holdings S.ár.l. (2009-)	Yes	Managing Director
Lindsey Morden (Barbados) Limited (1999-2004)	Yes	Chairman
Markel Insurance Company of Canada (1990-1991)	Yes	
MFXchange Holdings Inc. (2001-)	Yes	
MFXchange (Ireland) Limited (2002-)	Yes	Chairman
MFXchange US, Inc. (2002-)	Yes	
Otter Dorchester Insurance Company (1990-1991)	Yes	

Polskie Towarzystwo Reasekuracji SA (2008-2009)	Yes	
Fairfax Information Technology Services (1996-)	No	Treasurer
Noro Inc. (1996-2000)	Yes	
Noro Limited (2000-)	Yes	Treasurer
Noro Rentals Ltd. (2009-2012)	Yes	
O.R.G. Sweden Holdings AB (1992-2005)	Yes	
FFHL Group Ltd. (Dec. 4, 2008 -)	Yes	
FFHL Group Ltd. (Dec. 10, 1997-)		Vice President
ORH Holdings Inc. (1999-)	No	Vice President
FFH Reinsurance Group B.V. (1997-2009)	Yes	Chairman
ORC-FISI BV (1999-2005)	Yes	
Wynford Financial SARL (2005-2007)	Yes	
nSpire Re Limited (1997-)	Yes	Chairman
Wentworth Insurance Company Ltd. (1990-)	Yes	Chairman
Fairfax Corporation (2000-2005)	Yes	Chairman
nSpire (Bermuda) Ltd. (2003-2005)	Yes	
Cameron Financial Ltd. (2003-2006)	Yes	
MFX Roanoke Inc. (2004-)	Yes	
Odyssey Re Holdings Ltd. (1999-2004)		
Hub Liquidity Management LLC (2000-2002)	Yes	
The Sixty Three Foundation* (2002-)	Yes	
The Sixty Four Foundation* (2002-2008)	Yes	
The Six Four Foundation* (2008-)	Yes	
906447 Alberta Ltd. (2002-2004)	Yes	President
3077446 Nova Scotia Company (2003)	Yes	Vice President
3082596 Nova Scotia Company (2003)	Yes	Vice President
7004338 Canada Limited		Vice President & Treasurer
7948883 Canada Inc. (2012-)	Yes	
1865713 Ontario Inc. (2012-)	Yes	
1874616 Ontario Limited (2012-)	Yes	
1874617 Ontario Limited (2012-)	Yes	
TIG Insurance (Barbados) Ltd. (2012-)	Yes	
Petrochem Holding Co. Ltd. (2012-)	Yes	
Pakit International Trading Company Inc. (2012-)	Yes	
Ottawa Sport Ventures Inc. (2012-)	Yes	
FFHL Swiss AG (2012-)	Yes	

\* These companies are not affiliated with Fairfax

**JOHN C. VARNELL – Employment and Directorships**

Fairfax Financial Holdings Limited  
Vice President, Corporate Development (August 1, 2012 -)  
Vice President and Chief Financial Officer (2010-2012)  
Vice President (2008-2010)  
Chief Financial Officer (1987-2001)

Retired (2001-2005)

Northbridge Financial Corporation  
May 2005 – May 2008  
Chief Financial Officer

Noro Limited (2010 - )  
Northbridge Financial Corporation (June 2013-)  
Fairfax Holdings Inc. (to 2001)  
Fairfax Insurance Services Inc. (1994-2001)  
Federated Insurance Company of Canada (to 2001 and from 2005-2008)  
Federated Life Insurance Company of Canada (to 2001 and from 2005-2008)  
Lombard General Insurance Company of Canada (to 2001 and from 2005-2008)  
Lombard Insurance Company (to 2001 and from 2005-2008)  
Zenith Insurance Company (to 2001 and from 2005-2008)  
CRC (Bermuda) (to 2001)  
Markel Insurance Company of Canada (to 2001 and from 2005-2008)  
Fairbridge Inc. (to 2001)  
Fairfax Realty Inc. (to 2001)  
Odyssey Reinsurance Company of Canada (to 2001)  
Odyssey America Reinsurance Corporation (to 2001)  
Prime Restaurants (2012-)  
Ranger Insurance Managers, Inc. (to 2001)  
Ranger Insurance Finance Company (to 2001)  
Ranger Managers Corp. (to 2001)  
Ranger Lloyds (to 2001)  
Crum and Forster Insurance Company (to 2001)  
Wentworth Insurance Company (to 2001)  
The Hub Group (to 2003)

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# FAIRFAX

FINANCIAL HOLDINGS LIMITED

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that an Annual Meeting of Shareholders of Fairfax Financial Holdings Limited will be held at Roy Thomson Hall, 60 Simcoe Street, Toronto, Canada on Wednesday, April 9, 2014 at 9:30 a.m. (Toronto time) for the following purposes:

- (a) to elect directors;
- (b) to appoint auditors; and
- (c) to transact such other business as may properly come before the meeting.

By Order of the Board,

Eric P. Salsberg  
Vice President, Corporate Affairs  
and Corporate Secretary

Toronto, March 7, 2014

**If you cannot be present to vote in person at the meeting, please complete and sign the enclosed form of proxy and return it in the envelope provided, or vote via the Internet at <https://proxy.valianttrust.com>.** Please refer to the accompanying Management Proxy Circular for further information regarding completion and use of the proxy and other information pertaining to the meeting.

## MANAGEMENT PROXY CIRCULAR

*(Note: Dollar amounts in this Management Proxy Circular are in Canadian dollars except as otherwise indicated.)*

### **Voting Shares and Principal Holders Thereof**

We have 20,437,253 subordinate voting shares and 1,548,000 multiple voting shares outstanding (these are our only voting securities). Each subordinate voting share carries one vote per share at all meetings of shareholders except for separate meetings of holders of another class of shares. Each multiple voting share carries ten votes per share at all meetings of shareholders except in certain circumstances (which have not occurred) and except for separate meetings of holders of another class of shares. The outstanding subordinate voting shares currently represent 56.9% of the total votes attached to all classes of our outstanding shares.

Each holder of our subordinate voting shares or multiple voting shares of record at the close of business on March 7, 2014 (the "record date" established for notice of the meeting and for voting in respect of the meeting) will be entitled to vote at the meeting or any adjournment or postponement thereof, either in person or by proxy. Shareholders representing in person or by proxy at least 15% of our outstanding voting shares constitute a quorum at any meeting of shareholders.

The Sixty Two Investment Company Limited ("Sixty Two") owns 50,620 subordinate voting shares and 1,548,000 multiple voting shares, representing 43.2% of the total votes attached to all classes of our shares (100% of the total votes attached to the multiple voting shares and 0.2% of the total votes attached to the subordinate voting shares). V. Prem Watsa, our Chairman and Chief Executive Officer, controls Sixty Two and himself beneficially owns an additional 257,921 subordinate voting shares and exercises control or direction over an additional 2,100 subordinate voting shares. These shares, together with the shares owned directly by Sixty Two, represent 44.0% of the total votes attached to all classes of our shares (100% of the total votes attached to the multiple voting shares and 1.5% of the total votes attached to the subordinate voting shares). To the knowledge of our directors and officers, there are no other persons who (directly or indirectly) beneficially own, or control or direct, shares carrying 10% or more of the votes attached to any class of our voting shares, except that, according to our best information, Southeastern Asset Management, Inc. owns or controls 2,717,437, or 13.3%, of our subordinate voting shares.

Except for a sale to a purchaser who makes an equivalent unconditional offer to purchase all outstanding subordinate voting shares, Sixty Two has agreed with us that it will not sell its multiple voting shares (except to Sixty Two's 75%-owned subsidiaries).

### **Annual Report**

Our Annual Report includes our consolidated financial statements and the notes thereto for the year ended December 31, 2013. No action will be taken at the meeting with respect to approval or disapproval of the Annual Report.

You may obtain a copy of our latest annual information form (together with the documents incorporated therein by reference), our comparative consolidated financial statements for 2013 together with the report of the auditors thereon, management's discussion and analysis of our financial condition and results of operations for 2013, any of our interim financial statements for periods subsequent to the end of our 2013 fiscal year and this circular, upon request to our Corporate Secretary. If you are one of our securityholders, there will be no charge to you for these documents. You can also find these documents on our website ([www.fairfax.ca](http://www.fairfax.ca)) or on SEDAR ([www.sedar.com](http://www.sedar.com)).

### **Election of Directors**

A Board of seven directors is to be elected at the meeting to serve until the next annual meeting. Each nominee is voted for on an individual basis. If you submit a proxy in the enclosed form, it will, unless you direct otherwise, be voted **FOR** the election of each of the nominees named below. However, in case any of the nominees should become unavailable for election for any presently unforeseen reason, the persons named in the proxy will have the right to use their discretion in selecting a substitute. The Board has adopted the following majority voting policy for uncontested elections of directors: if

any proposed nominee as a director receives more "withhold" than "for" votes, the Board will promptly consider whether to ask that nominee to resign as a director (it being anticipated that such a request would be made barring unusual circumstances). The following information is submitted with respect to the nominees for director:

Names of nominees, offices held in Fairfax (or significant affiliates) and principal occupations	Director since	Ownership or control over voting securities (subordinate voting shares) of Fairfax
ANTHONY F. GRIFFITHS <sup>(a)(b)(c)(d)</sup> Independent Business Consultant and Corporate Director	2002	13,000 <sup>(1)</sup>
ROBERT J. GUNN <sup>(a)(c)</sup> Independent Business Consultant and Corporate Director	2007	1,000 <sup>(1)</sup>
ALAN D. HORN <sup>(a)</sup> President and Chief Executive Officer, Rogers Telecommunications Limited	2008	(1)(2)
JOHN R.V. PALMER <sup>(b)</sup> Chairman, Toronto Leadership Centre	2012	240 <sup>(1)</sup>
TIMOTHY R. PRICE <sup>(a)(b)</sup> Chairman, Brookfield Funds, a division of Brookfield Asset Management Inc.	2010	2,000 <sup>(1)(3)</sup>
BRANDON W. SWEITZER <sup>(b)(c)</sup> Dean, School of Risk Management, St. John's University	2004	1,065 <sup>(1)</sup>
V. PREM WATSA Chairman and Chief Executive Officer of Fairfax	1985	(4)

(a) Member of the Audit Committee (Chair — Alan Horn)

(b) Member of the Governance and Nominating Committee (Chair — Anthony Griffiths)

(c) Member of the Compensation Committee (Chair — Anthony Griffiths)

(d) Lead Director

(1) Each of Messrs. Griffiths, Gunn, Horn, Palmer and Price has received an option on, respectively, 2,750; 2,000; 1,754; 1,244 and 1,300 of our previously issued subordinate voting shares purchased in the market. Mr. Sweitzer has received a restricted stock grant of 1,132 of our previously issued subordinate voting shares purchased in the market. Details on all option and restricted share grants to our directors are shown in the table below giving details of the outstanding option and share-based awards granted to our directors and are further described below under "Equity Compensation Plan". None of the shares mentioned in this footnote are included in the numbers of our shares shown in the above table.

(2) Mr. Horn's spouse beneficially owns 500 of our subordinate voting shares.

(3) Mr. Price's spouse beneficially owns 25 of our subordinate voting shares.

(4) Mr. Watsa controls Sixty Two, which owns 50,620 of our subordinate voting shares and 1,548,000 of our multiple voting shares, and himself beneficially owns an additional 257,921 of our subordinate voting shares and exercises control or direction over an additional 2,100 of our subordinate voting shares.

The information as to shares beneficially owned or controlled by each nominee, and certain of the biographical information provided below, not being within our knowledge, has been furnished by such nominee.

*Legend:*

*BD — Board of Directors    AC — Audit Committee    CC — Compensation Committee    G&NC — Governance and Nominating Committee*

**Anthony F. Griffiths, 83**, is a member of our Board of Directors and our Lead Director. Mr. Griffiths is currently an independent business consultant and corporate director. He is a director of our subsidiaries Northbridge Financial Corporation ("Northbridge"), Crum & Forster Holdings Corp. ("Crum & Forster"), Odyssey Re Holdings Corp. ("OdysseyRe") and Zenith National Insurance Corp. ("Zenith"). He is also the Chairman of Russel Metals Inc. and Novadaq Technologies Inc. Mr. Griffiths was the Chairman of Mitel Corporation from 1987 to 1993; and from 1991 to 1993 assumed the positions of President and Chief Executive Officer in addition to that of Chairman. Mr. Griffiths is a member of our Audit Committee and the Chair of our Compensation and Governance and Nominating Committees, and is a resident of Toronto, Ontario, Canada.

Meetings Attended in 2013  
 6 of 6 BD  
 6 of 6 AC  
 1 of 1 CC  
 1 of 1 G&NC

**Robert J. Gunn, 68**, is a member of our Board of Directors. Mr. Gunn is currently an independent business consultant and corporate director. Since 2004, Mr. Gunn has been the Vice Chairman of the Board of Directors of our Northbridge subsidiary, and he is a director of our Crum & Forster subsidiary. Mr. Gunn previously served as the Chief Executive Officer and Chief Operating Officer of Royal & SunAlliance plc of London, England from 2002 to 2003 and 2001 to 2002, respectively. He also served as Group Director, Americas, of Royal & SunAlliance from 1998 to 2001. From 1990 to 2001, Mr. Gunn held the positions of President and Chief Executive Officer at Royal & SunAlliance Canada. Mr. Gunn is a member of our Audit and Compensation Committees, and is a resident of Toronto, Ontario, Canada.

Meetings Attended in 2013  
 6 of 6 BD  
 6 of 6 AC  
 1 of 1 CC

**Alan D. Horn, 62**, is a member of our Board of Directors. Mr. Horn is currently the President and Chief Executive Officer of Rogers Telecommunications Limited and has been Chairman of Rogers Communications Inc. since March 2006. Mr. Horn served as Acting President and Chief Executive Officer of Rogers Communications Inc. during 2008. Mr. Horn was Vice-President, Finance and Chief Financial Officer of Rogers Communications Inc. from 1996 to 2006 and was President and Chief Operating Officer of Rogers Telecommunications Limited from 1990 to 1996. Mr. Horn is a director of our subsidiaries Northbridge, Crum & Forster, OdysseyRe and Zenith, and is the Chair of our Audit Committee. Mr. Horn is a Chartered Accountant and a director and a member of the Audit Committee of CCL Industries Inc. Mr. Horn is a resident of Toronto, Ontario, Canada.

Meetings Attended in 2013  
 5 of 6 BD  
 6 of 6 AC

**John R.V. Palmer, 70**, is a member of our Board of Directors. Mr. Palmer is the Chairman of the Toronto Leadership Centre, a position he has held since 2005. Mr. Palmer has acted as a consultant and advisor on financial and financial sector regulatory matters to a number of international organizations and national authorities, including the International Monetary Fund, the World Bank, the Asian Development Bank, USAID, the Monetary Authority of Singapore and the Australian Prudential Regulation Authority. Mr. Palmer served as the Superintendent of Financial Institutions for Canada from 1994 to 2001, and as Deputy Managing Director of the Monetary Authority of Singapore from 2002 to 2005. Prior thereto, Mr. Palmer held a number of senior positions at KPMG LLP (Canada), including Managing Partner and Deputy Chairman. Mr. Palmer is a director, Chairman of the Risk Committee and a member of the Audit Committee of Manulife Financial Corporation. Mr. Palmer is a Chartered Accountant, a member of our Governance and Nominating Committee, and is a resident of Toronto, Ontario, Canada.

Meetings attended in 2013  
6 of 6 BD  
1 of 1 G&NC

**Timothy R. Price, 71**, is a member of our Board of Directors. Mr. Price has been the Chairman of Brookfield Funds, a division of Brookfield Asset Management Inc., since 1997 and was the Chairman of Brookfield Financial Corporation until December 2004. Mr. Price is a director of Brookfield Residential Properties, HSBC Bank Canada and Canadian Tire Corporation, serves on the Audit Committee of HSBC Bank Canada and is the Chair of the Social Responsibility Committee of Canadian Tire. He also serves on the Board of Governors of York University, the St. Michael's Hospital Foundation Board and the Dean's Advisory Board at the Schulich School of Business. Mr. Price is a member of our Audit and Governance and Nominating Committees, and is a resident of Toronto, Ontario, Canada.

Meetings Attended in 2013  
6 of 6 BD  
6 of 6 AC  
1 of 1 G&NC

**Brandon W. Sweitzer, 71**, is a member of our Board of Directors. Mr. Sweitzer is the Dean of the School of Risk Management, St. John's University and a director of the U.S. Chamber of Commerce. He is a director of our subsidiaries Crum & Forster, OdysseyRe, Zenith, Falcon Insurance Company and First Capital Insurance Limited. He also serves on the board of Integro, Ltd. and is past president of the Board of Trustees of the Kent School and a Trustee emeritus. Mr. Sweitzer became Chief Financial Officer of Marsh Inc. in 1981, and was its President from 1999 through 2000. From 1996 to 1999, Mr. Sweitzer served as President and Chief Executive Officer of Guy Carpenter & Company. Mr. Sweitzer is a member of our Compensation and Governance and Nominating Committees, and is a resident of New Canaan, Connecticut, U.S.A.

Meetings Attended in 2013  
6 of 6 BD  
1 of 1 CC  
1 of 1 G&NC

**V. Prem Watsa, 63**, has been the Chairman of our Board of Directors and our Chief Executive Officer since 1985. He has served as Vice President of Hamblin Watsa Investment Counsel Ltd. since 1985. Mr. Watsa is the Chairman of Northbridge, Crum & Forster and OdysseyRe and a director of Zenith, all of which are our subsidiaries. Mr. Watsa is also a director of BlackBerry Limited. Mr. Watsa is a resident of Toronto, Ontario, Canada.

Meetings Attended in 2013  
6 of 6 BD

None of our director nominees serve together on the Board of any other companies, other than subsidiaries of Fairfax, or act together as trustees for other entities.

Mr. Griffiths was a director of Brazilian Resources Inc. until June 2004. That company was subject to an insider cease trade order issued by the Ontario Securities Commission on June 10, 2001 relating to the company's late filing of financial statements. All required documents were filed by that company and the order was rescinded on July 30, 2001. That company was also subject to a cease trade order issued by the Ontario Securities Commission on June 12, 2003 due to the late filing of financial statements. All required documents were filed by that company and the cease trade order was rescinded on July 29, 2003. Mr. Griffiths was a director of Slater Steel Inc. until August 2004. In June 2003, Slater Steel

obtained a court order providing creditor protection under the provisions of the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA"). In addition, Slater Steel and the Canadian court-ordered monitor filed voluntary petitions for relief under Chapter 11 of the *United States Bankruptcy Code* (the "USBC") with respect to Slater Steel's United States and Canadian subsidiaries. PricewaterhouseCoopers was appointed as trustee in bankruptcy over the remaining assets of Slater Steel. Mr. Griffiths was a director of Resolute Forest Products Inc. (formerly AbitibiBowater Inc.) when that company and certain of its Canadian and U.S. subsidiaries filed for protection in Canada under the CCAA and for relief under Chapter 11 of the USBC in April 2009. On December 9, 2010, that company emerged from creditor protection under the CCAA in Canada and Chapter 11 of the USBC in the United States. Mr. Griffiths was a director of PreMD Inc. from 1995 to February 2010 and in connection with the voluntary delisting of that company's shares from the TSX, cease trade orders were issued in April 2009 (and remain in effect) requiring all trading in and all acquisitions of securities of that company to cease permanently due to that company's failure to file continuous disclosure materials required by Ontario securities law.

#### **Appointment of Auditor**

If you submit a proxy in the enclosed form, it will, unless you direct otherwise, be voted **FOR** the appointment of PricewaterhouseCoopers LLP as our auditor to hold office until the next annual meeting. PricewaterhouseCoopers LLP (formerly Coopers & Lybrand) has been our auditor since 1974. In order to be effective, the resolution to appoint PricewaterhouseCoopers LLP as our auditor must be passed by a majority of the votes cast in person or by proxy at the meeting.

#### **Shareholder Proposals for Next Year's Annual Meeting**

The *Canada Business Corporations Act* permits certain eligible shareholders to submit shareholder proposals to us, which proposals may be included in a management proxy circular relating to an annual meeting of shareholders. The final date by which we must receive shareholder proposals for our annual meeting of shareholders to be held in 2015 is December 7, 2014.

#### **Other Business**

Our management is not aware of any other matters which are to be presented at the meeting. However, if any matters other than those referred to herein should be presented at the meeting, the persons named in the enclosed proxy are authorized to vote the shares represented by the proxy in their discretion and in accordance with their best judgment.

## Compensation of Directors

Our directors who are not officers or employees of us or any of our subsidiaries receive a retainer of \$75,000 per year. There are no additional fees based on meeting attendance. The Chair of the Audit Committee and the Lead Director each also receives a further retainer of \$10,000 per year, and the Chair of each other committee also receives a further retainer of \$5,000 per year, for services in those respective capacities. In addition, non-management directors joining the Board are granted a restricted stock grant (or, as a result of applicable tax rules, an option equivalent) of approximately \$500,000 of our subordinate voting shares, vesting as to 10% per year commencing one year after the date of grant (or, if desired, on a slower vesting schedule). Additional amounts may be paid for special assignments. Please see the table below, giving details of the outstanding option and share-based awards granted to our directors, for information concerning stock-related awards to directors. Any such awards made to directors are on our outstanding subordinate voting shares purchased in the market and, since they involve no previously unissued stock, there is no dilution to shareholders. Non-management directors are also reimbursed for travel and other out-of-pocket expenses incurred in attending Board or committee meetings or in otherwise being engaged on our business. Our Chairman does not receive compensation for his services as a director separate from his compensation as Chief Executive Officer. Details of the compensation provided to our directors during 2013 (including compensation paid by our subsidiaries for those individuals' services as directors of those subsidiaries) are shown in the following table:

Name	Fees Earned	Share-Based Awards	Option-Based Awards	Non-Equity Incentive Plan Compensation	All Other Compensation <sup>(1)(7)</sup>	Total Compensation
Anthony F. Griffiths	\$95,000	—	—	—	\$116,193 <sup>(2)(3)(4)(5)</sup>	\$211,193
Robert J. Gunn	75,000	—	—	—	115,806 <sup>(2)(3)</sup>	190,806
Alan D. Horn	85,000	—	—	—	106,200 <sup>(2)(3)(4)(5)</sup>	191,200
John R.V. Palmer	75,000	—	—	—	12,481	87,481
Timothy R. Price	75,000	—	—	—	13,043	88,043
Brandon W. Sweitzer	75,000	—	—	—	136,407 <sup>(3)(4)(5)(6)</sup>	211,407

- (1) Directors holding options on our previously issued subordinate voting shares received a bonus equal to the dividend that they would have received on the shares underlying the options if the options were exercised.
- (2) Messrs. Griffiths, Gunn and Horn served on the Board of Directors of our Northbridge subsidiary in 2013. In that capacity, Messrs. Griffiths and Horn each received a retainer at a rate of \$20,000 per year. As Vice Chair of the Board, Mr. Gunn received \$75,000 for the year.
- (3) Messrs. Griffiths, Gunn, Horn and Sweitzer served on the Board of Directors of our Crum & Forster subsidiary in 2013. In that capacity, each received a retainer at a rate of US\$15,000 (C\$15,954) per year plus US\$750 (C\$798) per meeting attended.
- (4) Messrs. Griffiths, Horn and Sweitzer served on the Board of Directors of our OdysseyRe subsidiary in 2013. In that capacity, each received a retainer of US\$30,000 (C\$31,908) per year, with no additional fees based on meeting attendance. As Chair of the Audit Committee, Mr. Sweitzer received a further retainer at a rate of US\$10,000 (C\$10,636) per year.
- (5) Messrs. Griffiths, Horn and Sweitzer served on the Board of Directors of our Zenith subsidiary in 2013. In that capacity, each received a retainer of US\$15,000 (C\$15,954) per year.
- (6) Mr. Sweitzer served on the Board of Directors of our Falcon Insurance Company subsidiary and our First Capital Insurance Limited subsidiary in 2013. In those capacities, Mr. Sweitzer received retainers at a rate of US\$25,000 (C\$26,590) per year from each company plus, for Falcon, US\$3,000 (C\$3,191) per meeting attended and a further US\$750 (C\$798) per year as Chair of the Audit Committee.
- (7) All retainers and meeting fees paid in US dollars to our directors for serving on boards of certain of our subsidiaries have been converted to Canadian dollars using the Bank of Canada noon exchange rate as at December 31, 2013 (US\$1.00=C\$1.0636).

Details of the outstanding option and share-based awards on our previously issued subordinate voting shares granted to our directors are shown in the following table:

Name	Option-Based Awards				Share-Based Awards	
	Number of shares underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup>	Number of shares that have not vested	Market value of share-based awards that have not vested <sup>(2)</sup>
Anthony F. Griffiths	2,750	\$182.00	April 16, 2017	\$665,803	—	—
Robert J. Gunn	2,000	250.00	May 7, 2022	348,220	—	—
Alan D. Horn	1,754	285.08	May 5, 2023	243,859	—	—
John R.V. Palmer	1,244	402.00	May 3, 2027	27,505	—	—
Timothy R. Price	1,300	385.00	May 3, 2025	50,843	—	—
Brandon W. Sweitzer	—	—	—	—	1,132	\$480,093
V. Prem Watsa	—	—	—	—	—	—

(1) The value of unexercised in-the-money options is calculated by subtracting the exercise price of an option on one share from the market value of one of our subordinate voting shares at the end of 2013, and multiplying that difference by the number of unexercised options. That value does not include any deduction to recognize that some or all unexercised options may never become exercisable.

(2) The market value is calculated by multiplying the market value of one of our subordinate voting shares at the end of 2013 by the number of such shares awarded pursuant to unvested restricted stock grants. That value does not include any deduction to recognize that the shares so awarded may never become vested.

The values vested during 2013 of the option-based and share-based awards granted to our directors shown in the preceding table are shown in the following table:

Name	Option-Based Awards — Value vested during the year <sup>(1)</sup>	Share-Based Awards — Value vested during the year <sup>(2)</sup>
Anthony F. Griffiths	—	—
Robert J. Gunn	\$34,176	—
Alan D. Horn	21,684	—
John R.V. Palmer	874	—
Timothy R. Price	1,039	—
Brandon W. Sweitzer	—	—
V. Prem Watsa	—	—

(1) The value vested is calculated by multiplying the number of options which became vested during the year by the amount by which the market value of one of our subordinate voting shares on the day of vesting exceeded the exercise price of an option. Out-of-the-money options are excluded from the calculation. As no options which vested during the year were exercised, the values shown in the above table are comprised in (i.e., they are not additional to) the values of options shown in the preceding table.

(2) The value vested is calculated by multiplying the number of shares which became vested during the year by the market value of one of our subordinate voting shares on the day of vesting.

### Director Share Ownership

Each Board member is expected to hold for the long term significant equity in Fairfax. Our Corporate Governance Guidelines provide that the Board will confirm each year that each member owns equity equal in value to at least five times the amount of his or her annual retainer. Directors who do not meet this minimum must apply their annual retainers to purchase subordinate voting shares (or similar equity-like ownership) of Fairfax until it is satisfied.

### **Directors' and Officers' Insurance**

We purchase and maintain Directors' and Officers' Liability Insurance for our directors and officers and the directors and officers of certain of our subsidiaries. This insurance forms part of a blended insurance program which provides a combined aggregate limit of liability of US\$195 million, with a deductible to us of US\$10 million per loss under the Directors' and Officers' Liability Insurance. The approximate annual premium for this Directors' and Officers' Liability Insurance is US\$1,800,000.

### **Indebtedness of Directors and Executive Officers**

We maintain a share purchase plan whereby the directors could, until July 30, 2002 when U.S. legislation applicable to us prohibited the making of any further loans under the plan, from time to time grant to designated employees, officers and directors of us or any subsidiary a loan (which may be interest free) repayable after a specified period (which often relates to when the recipient leaves the employment of us or a subsidiary, or when the recipient dies) to purchase our subordinate voting shares. A loan made to any individual was on a one-time or infrequent basis, and the shares purchased with the loan were expected to be held, not traded. All loans made under the plan have been for the purchase of previously issued shares purchased in the market, so that they involved no previously unissued stock and consequently no dilution to shareholders. Until repayment, the shares are held by a trustee or as security for a bank lender, subject to the terms of the plan. Of the \$17.7 million of currently outstanding loans made under the plan to all current and former executive officers, directors and employees of us and our subsidiaries (including \$4.7 million to our current executive officers), \$5.3 million (including \$3.5 million to our current executive officers) have been refinanced by the borrowers with a Canadian chartered bank (the current aggregate value of the shares securing these refinanced loans is \$33.3 million). We or our subsidiaries generally pay the prime plus one-half percent per annum interest on these refinanced loans on behalf of the borrowers and may under certain circumstances be obligated to purchase these loans from the bank.

### **Indebtedness of Directors and Executive Officers under Securities Purchase Programs**

**(being only the above-described share purchase arrangements)**

<b>Name and principal position with Fairfax</b>	<b>Largest amount outstanding during fiscal year ended Dec. 31, 2013</b>	<b>Amount outstanding as at March 7, 2014</b>	<b>Security for indebtedness<sup>(1)</sup></b>
Jean Cloutier Vice President, International Operations	\$ 775,000	\$ 775,000	2,750
Bradley P. Martin Vice President, Strategic Investments	499,800	499,800	1,428
Eric P. Salsberg Vice President, Corporate Affairs and Corporate Secretary	1,925,000	1,925,000	20,500
Ronald Schokking Vice President and Treasurer	1,542,750	1,542,750	25,000

(1) In all cases, our subordinate voting shares.

## Summary Compensation Table

Name and principal position with Fairfax	Year	Salary	Option-Based Awards	Non-Equity Incentive Plan Compensation		All Other Compensation <sup>(1)</sup>	Total Compensation
				Annual Incentive Plans	Long-Term Incentive Plans		
V. Prem Watsa	2013	\$600,000	—	—	—	\$23,820	\$623,820
Chairman and	2012	600,000	—	—	—	22,970	622,970
Chief Executive Officer	2011	600,000	—	—	—	22,450	622,450
David J. Bonham <sup>(2)</sup>	2013	350,000	\$70,149 <sup>(3)</sup>	\$262,500 <sup>(17)</sup>	—	48,020	730,669
Vice President and	2012	320,770	124,913 <sup>(4)(5)</sup>	271,000 <sup>(17)</sup>	—	47,056	763,739
Chief Financial Officer	2011	300,000	75,046 <sup>(6)</sup>	150,000	—	39,868	564,914
Paul C. Rivett <sup>(7)</sup>	2013	750,000	854,627 <sup>(8)(9)</sup>	468,750 <sup>(17)</sup>	—	188,512	2,261,889
President	2012	500,000	619,821 <sup>(10)</sup>	2,500,000 <sup>(11)</sup>	—	131,468	3,751,289
	2011	450,000	—	225,000	—	130,557	805,557
Bradley P. Martin	2013	500,000	100,180 <sup>(12)</sup>	375,000 <sup>(17)</sup>	—	221,547	1,196,727
Vice President,	2012	500,000	—	500,000	—	222,517	1,222,517
Strategic Investments	2011	500,000	—	250,000	—	224,897	974,897
Peter Clarke	2013	400,000	392,561 <sup>(13)(14)(15)</sup>	300,000 <sup>(17)</sup>	—	74,236	1,166,797
Vice President and	2012	350,000	22,727 <sup>(16)</sup>	262,500 <sup>(17)</sup>	—	73,697	708,924
Chief Risk Officer	2011	350,000	—	350,000	—	72,298	772,298

- (1) The amounts shown for each year represent payments in respect of registered retirement savings plans contributions made in lieu of the establishment of a pension plan; payments in respect of an executive medical plan; a bonus paid to Messrs. Bonham, Rivett, Martin and Clarke equal to the dividend that those individuals would have received on shares underlying options held on our previously issued subordinate voting shares if the options were exercised; taxable benefits to Mr. Martin on interest or deemed interest on a loan with respect to the share purchase plan described above under "Indebtedness of Directors and Executive Officers"; and amounts received by Mr. Martin for serving at our request on the Board of Directors of Ridley Inc.
- (2) Mr. Bonham assumed the office of Chief Financial Officer in August 2012. Mr. Bonham formerly served as our Vice President, Financial Reporting.
- (3) Mr. Bonham's award of options on 605 of our previously issued subordinate voting shares, which Mr. Bonham received in respect of part of his annual bonus award (see note 17), has been valued using the Black-Scholes option-pricing model. The fair value of the options was determined using a risk free rate of 3.508% per annum, an expected life of 15 years, volatility of 20.8% and an expected dividend yield of 3%. We account for option grants by amortizing the market value of the underlying shares at the date of the grant (a higher amount than the value using the Black-Scholes option-pricing model) over the number of years during which the option vests.
- (4) Mr. Bonham's award of options on 1,338 of our previously issued subordinate voting shares has been valued using the Black-Scholes option-pricing model. The fair value of the options was determined using a risk free rate of 2.75% per annum, an expected life of 15 years, volatility of 16.7% and an expected dividend yield of 2%. We account for option grants by amortizing the market value of the underlying shares at the date of the grant (a higher amount than the value using the Black-Scholes option-pricing model) over the number of years during which the option vests.
- (5) Mr. Bonham's award of options on 127 of our previously issued subordinate voting shares, which Mr. Bonham elected to receive in respect of part of his annual bonus award (see note 17), has been valued using the Black-Scholes option-pricing model. The fair value of the options was determined using a risk free rate of 2.87% per annum, an expected life of 15 years, volatility of 22.7% and an expected dividend yield of 3%. We account for option grants by amortizing the market value of the underlying shares at the date of the grant (a higher amount than the value using the Black-Scholes option-pricing model) over the number of years during which the option vests.
- (6) Mr. Bonham's award of options on 662 of our previously issued subordinate voting shares has been valued using the Black-Scholes option-pricing model. The fair value of the options was determined using a risk free rate of 4.41% per annum, an expected life of 15 years, volatility of 16.6% and an expected dividend yield of 2%. We account for option grants by amortizing the market value of the underlying shares at the date of the grant (a higher amount than the value using the Black-Scholes option-pricing model) over the number of years during which the option vests.
- (7) Mr. Rivett assumed the office of President in July 2013. Mr. Rivett formerly served as our Vice President, Operations.
- (8) Mr. Rivett's award of options on 7,027 of our previously issued subordinate voting shares has been valued using the Black-Scholes option-pricing model. The fair value of the options was determined using a risk free rate of 3.63% per annum, an expected life of 15 years, volatility of 19.3% and an expected dividend yield of 3%. We account for option grants by amortizing the market value of the underlying shares at the date of the grant (a higher amount than the value using the Black-Scholes option-pricing model) over the number of years during which the option vests.
- (9) Mr. Rivett's award of options on 1,080 of our previously issued subordinate voting shares, which Mr. Rivett received in respect of part of his annual bonus award (see note 17), has been valued using the Black-Scholes option-pricing model. The fair value of the options was determined using a risk

free rate of 3.508% per annum, an expected life of 15 years, volatility of 20.8% and an expected dividend yield of 3%. We account for option grants by amortizing the market value of the underlying shares at the date of the grant (a higher amount than the value using the Black-Scholes option-pricing model) over the number of years during which the option vests.

- (10) Mr. Rivett's award of options on 5,550 of our previously issued subordinate voting shares has been valued using the Black-Scholes option-pricing model. The fair value of the options was determined using a risk free rate of 2.93% per annum, an expected life of 15 years, volatility of 20.0% and an expected dividend yield of 2%. We account for option grants by amortizing the market value of the underlying shares at the date of the grant (a higher amount than the value using the Black-Scholes option-pricing model) over the number of years during which the option vests.
- (11) The amount awarded to Mr. Rivett included a one-time special bonus of \$2,000,000 in recognition of his significant past and ongoing contributions to the company.
- (12) Mr. Martin's award of options on 864 of our previously issued subordinate voting shares, which Mr. Martin received in respect of part of his annual bonus award (see note 17), has been valued using the Black-Scholes option-pricing model. The fair value of the options was determined using a risk free rate of 3.508% per annum, an expected life of 15 years, volatility of 20.8% and an expected dividend yield of 3%. We account for option grants by amortizing the market value of the underlying shares at the date of the grant (a higher amount than the value using the Black-Scholes option-pricing model) over the number of years during which the option vests.
- (13) Mr. Clarke's award of options on 1,326 of our previously issued subordinate voting shares has been valued using the Black-Scholes option-pricing model. The fair value of the options was determined using a risk free rate of 3.03% per annum, an expected life of 15 years, volatility of 23.7% and an expected dividend yield of 3%. We account for option grants by amortizing the market value of the underlying shares at the date of the grant (a higher amount than the value using the Black-Scholes option-pricing model) over the number of years during which the option vests.
- (14) Mr. Clarke's award of options on 1,757 of our previously issued subordinate voting shares has been valued using the Black-Scholes option-pricing model. The fair value of the options was determined using a risk free rate of 3.63% per annum, an expected life of 15 years, volatility of 19.3% and an expected dividend yield of 3%. We account for option grants by amortizing the market value of the underlying shares at the date of the grant (a higher amount than the value using the Black-Scholes option-pricing model) over the number of years during which the option vests.
- (15) Mr. Clarke's award of options on 691 of our previously issued subordinate voting shares, which Mr. Clarke received in respect of part of his annual bonus award (see note 17), has been valued using the Black-Scholes option-pricing model. The fair value of the options was determined using a risk free rate of 3.508% per annum, an expected life of 15 years, volatility of 20.8% and an expected dividend yield of 3%. We account for option grants by amortizing the market value of the underlying shares at the date of the grant (a higher amount than the value using the Black-Scholes option-pricing model) over the number of years during which the option vests.
- (16) Mr. Clarke's award of options on 222 of our previously issued subordinate voting shares, which Mr. Clarke elected to receive in respect of part of his annual bonus award (see note 17), has been valued using the Black-Scholes option-pricing model. The fair value of the options was determined using a risk free rate of 2.87% per annum, an expected life of 15 years, volatility of 22.7% and an expected dividend yield of 3%. We account for option grants by amortizing the market value of the underlying shares at the date of the grant (a higher amount than the value using the Black-Scholes option-pricing model) over the number of years during which the option vests.
- (17) Beyond the cash bonus amounts shown in this column, each of Messrs. Bonham, Rivett, Martin and Clarke also received options on our previously issued subordinate voting shares in respect of part of their annual bonus award (see "Compensation Discussion and Analysis"). Details of such option grants are reflected under "Option-Based Awards" in this summary compensation table.

### **Equity Compensation Plan**

Our equity compensation plan, established in 1999, replaced our share purchase plan described above under "Indebtedness of Directors and Executive Officers" in 2002. No significant changes have been made to the plan since it was established, and any changes would require the approval of the Compensation Committee. Under the plan, stock-related awards in the form of options or restricted shares may be made to our executive officers. Recently, annual bonuses are to a large extent paid partly in cash and partly in a stock-related award. Otherwise, an award made to any individual is on a one-time or infrequent basis, any additional award regularly reflecting an increase in responsibilities, with a general alignment of the aggregate amount of awards to executive officers with comparable degrees of responsibility. The awards granted are expected to be held, not traded; we have no pension plan, so these awards are our form of long term incentive, whose value is determined by the performance of the company over the long term. A grant decision is made by the Compensation Committee on the recommendation of our CEO. The awards are made of our subordinate voting shares which have been previously issued and the shares underlying these awards are purchased in the market, so that they involve no previously unissued stock and consequently no dilution to shareholders. As at December 31, 2013, a total of 96,613 unexercised and unexpired options have been granted to our employees, representing 0.47% of our subordinate voting shares outstanding as at that date. For U.S. participants, the plan is structured as a restricted share plan, providing grants of outstanding shares which vest at future dates. For participants in Canada, the plan operates as much as possible

like a restricted share plan but, in light of differences in applicable tax law, is structured instead to provide awards of options on previously issued shares purchased in the market, with the exercise price of each share being at least the closing market price on the date preceding the date of grant. The option is generally exercisable as to 50% five years from the date of grant and as to the remainder ten years from the date of grant or 100% five years from date of grant, subject to the grantee remaining an employee of us or our subsidiaries at the time the option becomes exercisable, and generally expires at least 15 years from the date of grant and is automatically extended from time to time up until the time of retirement. We regard any option as a long term incentive. Any option grant is made by our affiliated entity incorporated for that purpose, which purchases in the open market the shares on which awards are granted under the plan.

No share-based (as opposed to option-based) awards have been granted to our named executive officers under the plan. Details of the above-described options on previously issued subordinate voting shares granted to our named executive officers are shown below:

Name	Number of securities underlying unexercised options	Option exercise price	Option expiration date <sup>(1)</sup>	Value of unexercised in-the-money options <sup>(2)</sup>
V. Prem Watsa	—	—	—	—
David J. Bonham	1,078	\$231.90	December 21, 2021	\$344,508
	672	371.93	May 10, 2025	
	662	377.85	March 3, 2026	
	1,338	373.49	August 7, 2027	
	127	393.50	March 21, 2028	
Paul C. Rivett	2,500	200.00	March 15, 2019	1,685,973
	1,750	212.50	November 23, 2021	
	2,165	231.00	December 18, 2021	
	4,450	371.47	December 24, 2023	
	5,550	402.01	May 7, 2027	
	7,027	426.90	November 7, 2028	
Bradley P. Martin	4,000	165.00	April 1, 2017	3,383,535
	1,000	118.56	September 24, 2017	
	2,500	200.00	March 15, 2019	
	7,000	212.50	November 23, 2021	
Peter Clarke	1,525	163.93	January 10, 2019	945,697
	2,156	231.90	December 21, 2021	
	1,344	371.93	May 10, 2025	
	1,326	376.98	February 19, 2028	
	222	393.50	March 21, 2028	
	1,757	426.90	November 8, 2028	

- (1) The options generally expire at least 15 years from the date of grant and are automatically extended from time to time up until the time of retirement.  
(2) The value of unexercised in-the-money options is calculated by subtracting the exercise price of an option on one share from the market value of one of our subordinate voting shares at the end of 2013, and multiplying that difference by the number of unexercised options. That value does not include any deduction to recognize that some or all unexercised options may never become exercisable.

The only non-equity incentive plan compensation earned during the year by our named executive officers was the discretionary annual bonus shown in the "Summary Compensation Table" above under "Non-Equity Incentive Plan Compensation — Annual Incentive Plans", which is described below under "Compensation Discussion and Analysis".

The values vested during 2013 of the option-based awards granted to our named executive officers are shown in the following table:

Name	Option-Based Awards — Value vested during the year <sup>(1)</sup>
V. Prem Watsa	—
David J. Bonham	—
Bradley P. Martin	—
Paul C. Rivett	\$228,819
Peter Clarke	—

(1) The value vested is calculated by multiplying the number of options which became vested during the year by the amount by which the market value of one of our subordinate voting shares on the day of vesting exceeded the exercise price of an option. As no options which vested during the year were exercised, the values shown in the above table are comprised in (i.e., they are not additional to) the values of options shown in the preceding table.

### Executive Share Ownership

All of our executive officers are long term shareholders of Fairfax. While we do not have formal executive share ownership guidelines, our executive officers are expected to hold their shares throughout their tenure. In practice, with the exception of charitable donations, there has been almost no trading of our shares by our executive officers.

### Compensation Discussion and Analysis

Our Compensation Committee, in consultation with our CEO, is responsible for establishing our general compensation philosophy and participating in the establishment and oversight of the compensation and benefits of our executive officers. Our executive compensation program is designed to align the interests of our executives and shareholders by linking compensation with our performance and to be competitive on a total compensation basis in order to attract and retain executives. Except in the case of Mr. Watsa, as described below, the remuneration of our executive officers consists of an annual base salary, an annual bonus and long term participation in our fortunes by the ownership of shares through the equity compensation plan (details of this participation are set out above under "Equity Compensation Plan") and through the now discontinued share purchase plan (details of this participation are set out above under "Indebtedness of Directors and Executive Officers"). Our executive officers have no written employment contracts.

The base salaries of our executive officers (which term in this and the following paragraph excludes Mr. Watsa) are intended to be competitive but to remain relatively constant, generally increasing only when the executive assumes greater responsibilities. A discretionary bonus in the range of 50% to 150% of base salary, if and to the extent appropriate, is awarded annually. Commencing with the bonuses for 2013, the annual bonus is generally paid partly in cash and partly in options on our previously issued subordinate voting shares (such options are described under "Equity Compensation Plan"). Internally, the value of an option for bonus purposes is the full market value of the shares underlying the option at the time of the option grant; it is not valued for bonus purposes at the lesser value using the Black-Scholes option pricing model. In awarding bonuses, the Compensation Committee considers the performance of our executive team during the year in light of its accomplishments and relative to our Guiding Principles. The annual bonus is a percentage of the annual base salary, which percentage in any year is identical (except rarely in special individual circumstances) for all executive officers: there are no corporate (beyond the company's Guiding Principles) or individual performance goals or objectives set or evaluated. In setting the 150% bonus level for 2013, the Compensation Committee recognized that, apart from hedging losses and unrealized mark-to-market losses (which are expected to reverse in the future) in our investment portfolio, 2013 was an excellent year, with outstanding results at our insurance, reinsurance and runoff operations, continued incremental expansion and acquisition of strategic investments, and continuing to be soundly financed. We have not chosen to benchmark executive compensation against compensation of comparable companies.

Each year, our CEO makes compensation recommendations to the Compensation Committee in consideration of the achievements of our executive team during the year and our corporate objective to achieve a high rate of return on invested capital and build long term shareholder value. The Compensation Committee evaluates the factors considered by our CEO and decides whether to approve or adjust the recommendations for compensation of our executive officers. The Compensation Committee separately considers the compensation for our CEO, as more fully described below.

In reviewing our compensation policies and practices each year, our Compensation Committee considers the implications of the risks associated with our compensation policies and practices. Risk is discussed at every regularly scheduled meeting of our Board of Directors, so the avoidance of excessive risk is monitored by our entire Board, including Compensation Committee members. Our Compensation Committee has concluded that our compensation policies and practices do not encourage excessive or inappropriate risk-taking behaviour. For a more detailed discussion on risk management, please refer to the "Risk Management" section. As discussed above, our policies and practices align the focus of our executive officers with the long term interests of our shareholders, and are internally equitable. With respect to bonus amounts, these are determined based on overall company performance, which mitigates the risk of an individual taking excessive risks in an effort to increase his or her bonus award. There is no formula to qualify for a bonus. The focus on long-term objectives is supported by executives who consider themselves long term employees; with minimal exceptions, none of our executives have left our employment. With respect to equity awards, as more fully described above under "Equity Compensation Plan", an award made to any individual is on a one-time or infrequent basis, any additional award regularly reflecting an increase in responsibilities. Awards are not made upon accomplishment of a task while the risk to the company from that task extends over a significantly longer period of time. Awards typically do not vest until at least five years have passed. Our directors and officers, as well as all other employees, are not permitted to purchase financial instruments that are designed to hedge or offset any decrease in market value of our equity securities granted as compensation or otherwise held by the individual. The benefit of these awards over time will derive from long-term value creation rather than from short-term gains.

The Board has considered Fairfax's particular circumstances and the reasonably unique elements of our officer compensation (including, without limitation, the low compensation requested by our CEO (a fixed, restrained annual salary, no annual bonus and no equity or other incentives), the reasonably small aggregate amount of executive compensation, the small number of our executives, the simplicity of our compensation structure (as described above), the absence of any pension plan, and the infrequency of equity incentive grants, and has determined that given those particular circumstances and those unique elements of our officer compensation, a "say on pay" vote by shareholders is not useful or appropriate in Fairfax's context.

#### ***Compensation of the Executive Officers for 2013***

Mr. Watsa proposed to our Compensation Committee the remuneration of our executive officers for 2013. The Compensation Committee considered the proposals by Mr. Watsa, which included a description of the accomplishments of our executives. The Compensation Committee evaluated and approved the compensation of our executive officers. Details of the compensation awarded to our named executive officers for 2013 are shown in the "Summary Compensation Table" above.

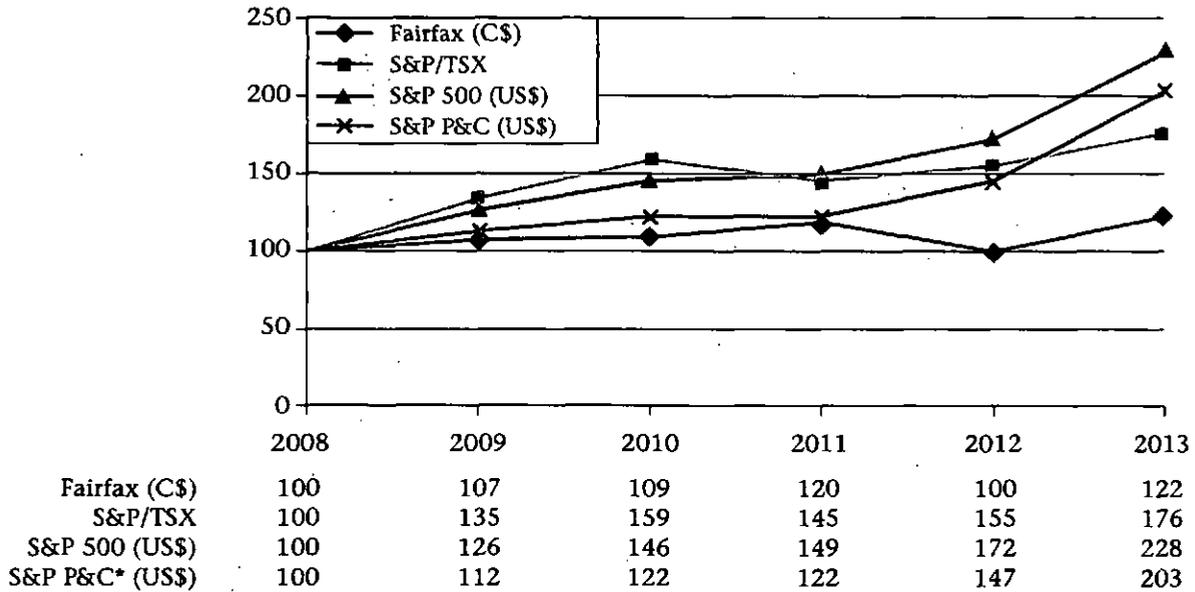
#### ***Compensation of the Chief Executive Officer for 2013***

Since 2000, Mr. Watsa has agreed that his aggregate compensation from us will consist solely of an annual salary of \$600,000 (and standard benefits provided to our executives generally), with no bonus or other profit participation, no participation in any equity plans (other than the employee payroll share purchase plan) and no pension entitlement. Mr. Watsa's compensation arrangements reflect his belief that as a controlling shareholder involved in the management of the company, his compensation should be closely linked to all shareholders; this close link is achieved by his "compensation", beyond a fixed salary, coming only from his share ownership. The Compensation Committee evaluated and approved the continuation for 2013 of Mr. Watsa's above-described compensation arrangements.

**Performance Graph**

The following graph assumes that \$100 was invested on December 31, 2008 in our subordinate voting shares and in common shares of the S&P/TSX Composite Total Return Index, the S&P 500 Index and the S&P Property-Casualty Insurance Index, respectively. The graph shows market values as at various year-ends, so that there is no necessary correlation between the trends, if any, shown in that graph and our executive compensation, which is determined as described above and, as so described, does not vary considerably year to year or itself reflect any trends.

**Cumulative Value of a \$100 Investment Assuming Reinvestment of Dividends**



\* No comparable Canadian index.

### **Statement of Corporate Governance Practices**

In 2005, our Board of Directors, in consultation with outside experts retained by the Board, reviewed our corporate governance practices. As part of this process, and by way of formalizing our governance approaches, the Board (i) approved a set of Corporate Governance Guidelines that includes the Board's written mandate, (ii) established a Governance and Nominating Committee and a Compensation Committee (in addition to the previously established Audit Committee), (iii) approved written charters for all of its committees (which charters include position descriptions for the Chair of each committee), (iv) approved a Code of Business Conduct and Ethics applicable to our directors, officers and employees and (v) established, in conjunction with the Audit Committee, a Whistleblower Policy. All of these items are available for review on our website at [www.fairfax.ca](http://www.fairfax.ca) under the heading "Corporate Governance".

The Corporate Governance Guidelines retain and enhance the principles and practices described in prior Management Proxy Circulars as underlying our governance system. The Code of Business Conduct and Ethics is built around the first value in our longstanding and regularly reported Guiding Principles — "honesty and integrity are essential in all our relationships and will never be compromised".

Our corporate governance policies and practices are reviewed regularly by our Board and updated as necessary or advisable. Our corporate governance practices are in compliance with all applicable rules and substantially comply with all applicable policies and guidelines, including those of the Canadian Securities Administrators. A description of our corporate governance practices is set out below.

Various of our directors are also directors of one or more of our subsidiaries Northbridge, Crum & Forster, OdysseyRe and Zenith. The time commitment required for serving on those boards is not materially greater than the time commitment required for serving solely on our Board. All of the material information regarding our operating subsidiaries is provided to our directors, so that once a director has undertaken the review and preparation necessary to serve as a director of Fairfax, there is not substantial additional review or preparation required to serve as a director of our operating subsidiaries. Further, the periodic meetings of our major operating subsidiaries (which can be less frequent than the meetings of Fairfax) are held in conjunction with our Board meetings, thereby entailing no substantial additional time commitment for a director on our Board who also serves on the boards of those subsidiaries.

### **Independent Directors**

The Board has affirmatively determined that all of our directors (other than Mr. Watsa) are independent in that each of them has no material relationship with us, that is, a relationship which could, in the Board's view, be reasonably expected to interfere with the exercise of the member's independent judgment. In making this determination, the Board considered, among other things, that none of those individuals (i) is, or has been within the last three years, an employee or member of management of us or our subsidiaries or related to any member of management, (ii) is related to our controlling shareholder, (iii) is associated with our auditor or has any family member that is associated with our auditor, (iv) receives any direct or indirect compensation (including to family members) from us except in connection with Board related work, (v) works or has worked at a company for which any member of our management was a member of the compensation committee, or (vi) has (other than possibly as an insured under an insurance policy issued on usual commercial terms) any material business or other relationship with us, our subsidiaries or our controlling shareholder. Accordingly, all of our directors are independent except for V. Prem Watsa, our Chairman and CEO. Shareholders and others may communicate with our non-management directors by addressing their concerns in writing to our Corporate Secretary or, marked "Private and Confidential", to our Lead Director, at 95 Wellington Street West, Suite 800, Toronto, Canada M5J 2N7.

Our directors have an ongoing obligation to inform the Board of any material changes in their circumstances or relationships that may affect the Board's determination as to their independence and, depending on the nature of the change, a director may be asked to resign as a result.

### **Lead Director and Independent Functioning of the Board**

Our Chairman is also our CEO and controlling shareholder. Accordingly, the Board has appointed Anthony Griffiths as the Lead Director of Fairfax. The Lead Director is responsible for ensuring the independent functioning of the Board, including establishing, in consultation with the CEO, the agenda for each Board meeting, acting as spokesperson for the independent directors collectively in communications with the Chairman and presiding over meetings of the independent directors.

The agenda for each Board meeting (and each committee meeting to which members of management have been invited) affords an opportunity for the independent directors to meet separately and the independent directors regularly exercise that opportunity. In 2013, our independent directors held three *in camera* meetings, at which 100% of the independent directors attended. All committees are composed solely of independent directors.

### **Corporate Governance Guidelines (Including Board Mandate)**

Our Corporate Governance Guidelines, which include our Board Mandate, set out the overall governance principles that apply to us. Our Corporate Governance Guidelines include (i) position descriptions for each of the Chairman, the Lead Director and the CEO, (ii) sole authority for the Board and each committee to appoint, at our expense, outside advisors in connection with the performance of its duties, including determining fees and other retention terms, (iii) a mechanism for shareholders and others to communicate with us, (iv) share ownership requirements for directors, (v) obligations of directors in respect of meeting preparation and attendance, (vi) accountability of the CEO to the Board for implementing and achieving our Guiding Principles and corporate objectives approved by the Board and (vii) the Board's adoption of and commitment to the Code of Business Conduct and Ethics, which is applicable to all of our directors, officers and employees.

In our Corporate Governance Guidelines, the Board has explicitly assumed responsibility for our stewardship and for supervising the management of our business and affairs. Our Board Mandate states:

The directors' primary responsibility is to act in good faith and to exercise their business judgment in what they reasonably believe to be the best interests of Fairfax. In fulfilling its responsibilities, the Board is, among other matters, responsible for the following:

- Appointing the CEO and other corporate officers;
- On an ongoing basis, satisfying itself as to the integrity of the CEO and other executive officers and that the CEO and the other executive officers create a culture of integrity throughout Fairfax;
- Monitoring and evaluating the performance of the CEO and the other executive officers against the approved Guiding Principles and corporate objectives;
- Succession planning;
- Approving, on an annual basis, Fairfax's Guiding Principles and corporate objectives;
- Satisfying itself that Fairfax is pursuing a sound strategic direction in accordance with the approved Guiding Principles and corporate objectives;
- Reviewing operating and financial performance results relative to established corporate objectives;
- Approving an annual fiscal plan;
- Ensuring that it understands the principal risks of Fairfax's business, and that appropriate systems to manage these risks are implemented;
- Ensuring that the materials and information provided by Fairfax to the Board and its committees are sufficient in their scope and content and in their timing to allow the Board and its committees to satisfy their duties and obligations;

- Reviewing and approving Fairfax's annual and interim financial statements and related management's discussion and analysis, annual information form, annual report and management proxy circular;
- Approving material acquisitions and divestitures;
- Confirming the integrity of Fairfax's internal control and management information systems;
- Approving any securities issuances and repurchases by Fairfax;
- Declaring dividends;
- Approving the nomination of directors;
- Approving the charters of the Board committees and approving the appointment of directors to Board committees and the appointment of the Chairs of those committees; and
- Adopting a communications policy for Fairfax (including ensuring the timeliness and integrity of communications to shareholders and establishing suitable mechanisms to receive shareholder views).

Our Board has delegated to management responsibility for our day to day operations, including for all matters not specifically assigned to the Board or any committee of the Board.

#### **Audit Committee**

The members of our Audit Committee are Alan Horn (Chair), Anthony Griffiths, Robert Gunn and Timothy Price, all of whom are independent and financially literate. Mr. Horn has accounting or related financial management expertise and is therefore a financial expert as defined by the Securities and Exchange Commission. He is a chartered accountant and a former partner of an accounting firm, was for many years the Chief Financial Officer of a public company listed on the TSX and has considerable experience on boards of directors and audit committees of public companies. Mr. Griffiths received an MBA from Harvard University, has extensive experience as an audit committee member and director of a number of public companies and has a sound understanding of accounting principles, including those used in the preparation of our financial statements. Mr. Gunn has significant experience with financial statement disclosure through his previous work experience, including as Chief Executive Officer and Chief Operating Officer of Royal & SunAlliance, a diversified insurance company. He also has experience as an audit committee member and director of a number of public companies, including as audit committee chair. Mr. Price has over 30 years of management experience with the Brookfield group of companies, and served previously as Chairman of The Edper Group Limited and of Hees International Bancorp Inc. He is currently an audit committee member and director of HSBC Bank Canada and a director of Canadian Tire Corporation. For additional information concerning Messrs. Horn, Griffiths, Gunn and Price, please see the information above under "Election of Directors".

Our Corporate Governance Guidelines prohibit a member of the Audit Committee from serving on the Audit Committees of more than two other public companies (with the exception of our subsidiaries) except with the prior approval of the Board, including a determination by the Board that such service would not impair the ability of the director to effectively serve on the Audit Committee. No member of our Audit Committee serves on the audit committees of more than two other public companies.

The responsibilities of the Audit Committee include (i) recommending to the Board the auditor to be nominated for approval by shareholders, (ii) approving the compensation of the auditor, (iii) overseeing the work of the auditor and management with respect to the preparation of financial statements and audit related matters and communicating regularly with the auditor and management in that regard, (iv) ensuring that suitable internal control and audit systems are in place, (v) reviewing annual and interim financial information, including MD&A, prior to its release and (vi) reviewing annual and interim conclusions about the effectiveness of our disclosure controls and procedures and internal controls and procedures. The text of our Audit Committee Charter can be found on our website ([www.fairfax.ca](http://www.fairfax.ca)) or in our Annual Information Form under the heading "Audit Committee", which is available on SEDAR ([www.sedar.com](http://www.sedar.com)). Our Annual Information Form also contains information concerning fees paid to our external auditors for services they have rendered to us in each of the last two fiscal years.

In order to ensure the independence of our external auditor, the Committee has adopted a Policy on Review and Approval of Auditor's Fees requiring Audit Committee approval of all audit and non-audit services provided by the auditor and, among other things, requiring the CFO and the auditor to report to the Committee quarterly on the status of projects previously pre-approved.

### ***Compensation Committee***

The members of our Compensation Committee are Anthony Griffiths (Chair), Robert Gunn and Brandon Sweitzer, all of whom are independent and have the necessary skills and experience to enable them to make decisions on the suitability of our compensation policies and practices. Mr. Griffiths has experience in executive compensation as a former Chief Executive Officer and Chairman of Mitel Corporation, where he was directly involved in executive compensation decision-making. He is the Chairman of Russel Metals Inc. and Novadaq Technologies Inc., and serves on several other boards of directors. Mr. Griffiths also brings to our Compensation Committee the benefit of his knowledge and experience derived from exercising the risk management function of our Audit Committee, of which he is also a member. Mr. Gunn is a former executive officer of Royal & SunAlliance plc, where he served as Chief Executive Officer and in several other senior management positions involving direct responsibility for executive compensation matters. Mr. Gunn also has past experience in executive compensation as a member of the board of directors of several public companies. Like Mr. Griffiths, Mr. Gunn is involved in the inter-related risk management functions of both our Audit and Compensation Committees. Like Mr. Gunn and Mr. Griffiths, Mr. Sweitzer has experience in executive compensation gained from both board memberships and from serving in executive officer positions, including as Chief Financial Officer and President of Marsh Inc. and Chief Executive Officer of Guy Carpenter & Company, in which roles he had direct responsibility for executive compensation decision-making. Mr. Sweitzer serves on the board of Integro, Ltd. and also brings to our Compensation Committee his experience as Chairman of the Board of Overseers of the St. John's University School of Risk Management, where he is currently Dean.

The responsibilities of the Committee include establishing the compensation of directors and approving the compensation of the CEO and other executive officers. In establishing the compensation of the directors, the Committee will examine the time commitment, responsibilities and risks associated with being a director and compensation paid by companies similar to us. In approving the compensation of the CEO and other executive officers, the important factors for evaluating performance are our Guiding Principles and corporate objectives, as more fully described above under "Compensation Discussion and Analysis".

### ***Governance and Nominating Committee***

The members of our Governance and Nominating Committee are Anthony Griffiths (Chair), John Palmer, Timothy Price and Brandon Sweitzer, all of whom are independent. The Committee is responsible for our overall approach to corporate governance. The Committee recommends nominations to the Board each year and recommends the directors it considers qualified for appointment to each Board committee and as Chair of each committee. The Committee is also responsible for annually evaluating and reporting to the Board on the performance and effectiveness of the Board, each of its committees and each of its directors. In conducting that evaluation, the Committee considers the Corporate Governance Guidelines, applicable committee charters and position descriptions, and the contributions individual members are expected to make. The Committee also monitors changes in the area of corporate governance and recommends any changes it considers appropriate.

### ***Selection of Directors***

We seek as directors committed individuals who have a high degree of integrity, sound practical and commercial judgment and an interest in the long term best interests of us and our shareholders. With this goal in mind, each year the Board determines what competencies and skills the Board as a whole should possess (taking into account our particular business and what competencies and skills each existing director possesses). The Board makes these determinations at a time suitable for the Governance and Nominating Committee to reflect them in its recommendations for nominees to the Board. In making its recommendations, the Governance and Nominating Committee also considers the competencies

and skills any new nominee may possess, the independence requirements and the requirements for any distinctive expertise.

#### ***Orientation and Continuing Education of Directors***

Each new director receives a comprehensive orientation from our Chairman, including an overview of the role of the Board, the Board committees and each individual member, the nature and operation of our business and the contribution and time commitment the new director is expected to make. The orientation will include access to our senior management and facilities. The Lead Director will also meet with each new director to orient that director on the independent operation and functioning of the Board. Our directors are invited to ask questions at any time of any officer or director within the Fairfax group.

The Board is responsible for considering from time to time appropriate continuing education for directors, which may include presentations from management, site visits and presentations from industry experts. Each director is expected to maintain the necessary level of expertise to perform his or her responsibilities as a director and, as discussed in more detail below, is subject to an annual evaluation.

#### ***Board Performance Evaluation***

Each year a confidential annual review process is completed to assess the overall effectiveness of the Board, the individual directors and each committee. As part of this process, each director completes a Board Effectiveness Survey and a Confidential Director Self-Evaluation Form. The Board Effectiveness Survey reviews Board responsibilities, operation and effectiveness. The Director Self-Evaluation Form asks directors to consider their participation on and contributions to the Board and its committees and their goals and objectives in serving as a director of our company. The Chair of the Governance and Nominating Committee collates the results of the survey and meets with individual directors to discuss evaluations at a director's request (or as required to address a specific issue) and reports to the Governance and Nominating Committee and to the Board on evaluation results.

#### ***Ethical Business Conduct***

The Board has approved a Code of Business Conduct and Ethics that is built around the first value in our Guiding Principles — "honesty and integrity are essential in all our relationships and will never be compromised". The Board is responsible for monitoring compliance with the Code and accordingly has, in conjunction with the Audit Committee, established a Whistleblower Policy pursuant to which violations of the Code can be reported confidentially or anonymously and without risk of recrimination. The Board has also approved a Public Disclosure Policy applicable to all directors and employees and those authorized to speak on our behalf.

Among other things, the Code requires every director, officer and employee of Fairfax to be scrupulous in seeking to avoid any actual, potential or perceived conflict of interest and to constantly consider whether any may exist. If any material transaction or relationship that could give rise to a conflict of interest arises, the individual must immediately advise the Chair of the Audit Committee in writing and not take any action to proceed unless and until the action has been approved by the Audit Committee. The Governance and Nominating Committee also reviews all proposed significant related party transactions involving directors, executive officers or a controlling shareholder.

#### ***Succession Planning***

The following describes the succession process which the Board of Directors has in place. All Board members are personally familiar with the individuals who constitute our senior management, by virtue of senior management's contacts, in the ordinary course of their duties, with the Board members, and of senior management's attendance as invitees at Board meetings, and as a result of discussions, communications and meetings pursuant to the company's policies and practices whereby any director is free at any time to communicate with any member of management. The Board has further familiarity with senior management because it obtains and approves the annual collective objectives of head office and reviews the results, and because the Compensation Committee reviews the achievements of senior management during each year in setting the bonus level for senior management (Mr. Watsa does not accept an annual

(or other) bonus). The Board's familiarity with the individuals constituting senior management is facilitated by virtue of the reasonably small numbers of individuals involved and of the very low rate of turnover among Board members and especially among senior management.

As a result, the Board is both knowledgeable and involved in the discussions about succession planning, which take place at least annually, between Mr. Watsa in his capacity as CEO and major shareholder and the other Board members, and at any other discussions or deliberations on this subject (for example, informal discussions initiated by any Board member or discussions by the independent directors (all of the directors other than Mr. Watsa) at the *in camera* meetings of independent directors which are an agenda item at all of the regularly scheduled meetings of the Board).

### **Risk Management**

The primary goals of our risk management are to ensure that the outcomes of activities involving elements of risk are consistent with our objectives and risk tolerance, while maintaining an appropriate balance between risk and reward and protecting our consolidated balance sheet from events that have the potential to materially impair our financial strength (we focus on risks with a low probability of occurrence but a high potential loss). Our exposure to potential loss from our insurance and reinsurance operations and investment activities primarily relates to underwriting risk (which necessarily factors in climate change considerations), credit risk, liquidity risk and various market risks. Balancing risk and reward is achieved through identifying risk appropriately, aligning risk tolerances with business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventive controls and transferring risk to third parties.

Our risk management objectives are achieved through a two tiered system, with detailed risk management processes and procedures at our primary operating subsidiaries and our investment management subsidiary combined with the analysis of our company-wide aggregation and accumulation of risks at the holding company level. In addition, although we and our subsidiaries have designated Chief Risk Officers, we regard each Chief Executive Officer as the chief risk officer of his or her company: each Chief Executive Officer is the individual ultimately responsible for risk management for his or her company and its subsidiaries.

Our designated Chief Risk Officer reports on risk considerations to the Executive Committee and provides a quarterly report to the Board of Directors on the key risk exposures. Management of Fairfax in consultation with the designated Chief Risk Officer approves certain policies for overall risk management, as well as policies addressing specific areas such as investments, underwriting, catastrophe risk and reinsurance. The Investment Committee approves policies for the management of market risk (including currency risk, interest rate risk and other price risk) and the use of derivative and non-derivative financial instruments, and monitors to ensure compliance with relevant regulatory guidelines and requirements. A discussion of the risks of the business (the risk factors and the management of those risks) is an agenda item for every regularly scheduled meeting of the Board.

### **Solicitation of Proxies**

**Our management is soliciting the enclosed proxy for use at the Annual Meeting of Shareholders to be held on April 9, 2014 and at any adjournment or postponement thereof.** We will bear the cost of soliciting proxies. We will reimburse brokers, custodians, nominees and other fiduciaries for their reasonable charges and expenses incurred in forwarding proxy material to beneficial owners of shares. In addition to solicitation by mail, certain of our officers and employees may solicit proxies personally or by a means of telecommunication. These persons will receive no compensation beyond their regular salaries for so doing.

The information contained in this Management Proxy Circular is given as at March 7, 2014, except where otherwise noted.

### **Provisions Relating to Proxies**

A properly executed proxy delivered to our transfer agent, Valiant Trust Company, at Proxy Department, P.O. Box 34, Suite 710, The Exchange Tower, 130 King Street West, Toronto, Canada M5X 1A9 (if delivered by mail); at Suite 710, The Exchange Tower, 130 King Street West, Toronto, Canada M5X 1A9 (if delivered by hand); at (416) 360-1646 or

(855) 375-6916 (if delivered by fax); or by Internet at <https://proxy.valianttrust.com>, so that it is received before 12:00 noon (Toronto time) on April 8, 2014 (or, in the event of an adjournment or postponement, the last business day prior to the adjourned or postponed meeting); or to the chairman or secretary of the meeting for which the proxy is given before the time of voting, will be voted or withheld from voting, as appropriate, at the meeting and, if a choice is specified in respect of any matter to be acted upon, will be voted or withheld from voting in accordance with the direction given. In the absence of such direction, such proxy will be voted with respect to the election of directors and appointment of auditors as described above.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to or variations of matters identified in the notice of meeting and with respect to other matters which may properly come before the meeting. At the date of this Management Proxy Circular, our management knows of no such amendments, variations or other matters.

The persons named in the enclosed proxy are two of our officers. **If you wish to appoint some other person to represent you at the meeting, you may do so either by inserting such other person's name in the blank space provided in the enclosed proxy or by completing another form of proxy.** Such other person need not be a shareholder.

Under governing law, only registered holders of our subordinate voting and multiple voting shares, or the persons they appoint as their proxies, are permitted to attend and vote at the meeting. However, in many cases, our subordinate voting shares beneficially owned by a holder (a "Non-Registered Holder") are registered either:

- (a) in the name of an intermediary that the Non-Registered Holder deals with in respect of the shares, such as, among others, banks, trust companies, securities dealers, brokers, or trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or
- (b) in the name of a depository (such as CDS Clearing and Depository Services Inc. or Depository Trust Company).

In accordance with Canadian securities law, we are distributing copies of the notice of meeting, this Management Proxy Circular, the form of proxy and the 2013 Annual Report (which includes management's discussion and analysis) (collectively, the "meeting materials") to the depositories and intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward meeting materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, intermediaries will use service companies to forward the meeting materials to Non-Registered Holders. Non-Registered Holders who have not waived the right to receive meeting materials will:

- A. be given a proxy which has already been signed by the intermediary (typically by a facsimile, stamped signature) which is restricted to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise uncompleted. This form of proxy need not be signed by the Non-Registered Holder. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and deposit it as described above; or
- B. more typically, receive, as part of the meeting materials, a voting instruction form which must be completed, signed and delivered by the Non-Registered Holder in accordance with the directions on the voting instruction form (which may in some cases permit the completion of the voting instruction form by telephone or through the Internet).

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the shares they beneficially own. Should a Non-Registered Holder who receives either a proxy or a voting instruction form wish to attend and vote at the meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy and insert the Non-Registered Holder's (or such other person's) name in the blank space provided or, in the case of a voting instruction form, follow the corresponding instructions on the form. **In either case, Non-Registered Holders should carefully follow the instructions of their intermediaries and their service companies.**

If you have given a proxy, you may revoke it by an instrument in writing executed by you or by your attorney authorized in writing or, if you are a corporation, under your corporate seal or by an officer or attorney duly authorized, and deposited either at our head office at any time up to and including the last business day preceding the day of the meeting, or any adjournment or postponement thereof, at which the proxy is to be used or with the chairman or secretary of the meeting on the day of the meeting or any adjournment or postponement thereof.

A Non-Registered Holder may revoke a voting instruction form or a waiver of the right to receive meeting materials and to vote given to an intermediary at any time by written notice to the intermediary, except that an intermediary is not required to act on a revocation of voting instruction form or of a waiver of the right to receive materials and to vote that is not received by the intermediary at least seven days prior to the meeting.

**Approval**

Our Board of Directors has approved the contents of this Management Proxy Circular and the sending thereof to our shareholders.

By Order of the Board,

Dated March 7, 2014

Eric P. Salsberg  
Vice President, Corporate Affairs  
and Corporate Secretary

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