

FAIRFAX FINANCIAL HOLDINGS LTD/ CAN

Form SUPPL

May 11, 2007

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**Filed pursuant to General Instruction II.L. of Form F-10**  
**File No. 333-142069**

**PROSPECTUS SUPPLEMENT**  
**(To a base shelf prospectus dated April 10, 2007)**

**Fairfax Financial Holdings Limited**

**Offer to Exchange any and all of its 73/4% Notes Due 2012**  
**for Cash and New 73/4% Senior Notes Due 2022**

**The Exchange Offer**

In the exchange offer, we are offering to exchange for each \$1,000 principal amount of our outstanding 73/4% Notes Due 2012 (the "old notes"):

\$1,000 principal amount of our new 73/4% Senior Notes due 2022 (the "new notes"), and

accrued and unpaid interest in cash on old notes that we acquire in the exchange to but not including the settlement date (as defined below), which we currently expect to be June 12, 2007.

In addition, for each \$1,000 principal amount of old notes exchanged at or prior to midnight, New York City time, on May 23, 2007, which date we refer to as the "early participation date," an amount of cash in U.S. dollars equal to the early participation payment as set out in the table below. **The early participation payment will only be paid to you if you validly tender and do not validly withdraw your old notes at or prior to the early participation date.**

The exchange offer will expire at 9:00 a.m., New York City time, on June 8, 2007, unless we extend the offer.

CUSIP Number	Principal Amount  Outstanding	Old Notes to be  Exchanged	New Note Principal Amount	Cash Early Participation  Payment
303901AN2	\$ 464,193,000	73/4% Notes due 2012	\$ 1,000	\$ 30.00

A holder with approximately 24% of the aggregate principal amount of old notes has indicated its intent to exchange its old notes in the exchange offer, subject to the terms and conditions of the exchange offer.

**You should consider the risk factors beginning on page S-12 of this prospectus supplement and on page 6 of the accompanying base shelf prospectus before participating in the exchange offer.**

*Dealer Managers*

**Merrill Lynch & Co.**

**BMO Capital Markets**

**Ferris, Baker Watts  
Incorporated**

May 10, 2007

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*(cover page continued)*

As described more fully in this prospectus supplement, the exchange offer is subject to certain conditions. The exchange offer is not subject to any condition as to a minimum or maximum principal amount of old notes that we will accept for tender.

You may withdraw tenders of old notes at any time prior to midnight, New York City time, on May 23, 2007.

The exchange of the old notes for new notes and the payment of the early participation payment, if applicable, in the exchange offer will be a taxable event for U.S. federal income tax purposes. If the exchange qualifies as a recapitalization, U.S. Holders (as defined in *Certain Income Tax Considerations* *Certain United States Federal Income Tax Considerations* ) will generally recognize gain (but not loss) equal to the lesser of the amount of the gain realized or the early participation payment, if applicable. See *Certain Income Tax Considerations* *Certain United States Federal Income Tax Considerations*.

The exchange of the old notes for new notes and the payment of the early participation payment in the exchange offer will be a taxable event for Canadian federal income tax purposes. Holders who are resident in Canada will generally recognize a capital gain equal to the proceeds of disposition, net of reasonable costs of disposition, less the adjusted cost base of the old notes. See *Certain Income Tax Considerations* *Certain Canadian Federal Income Tax Considerations*.

**The New Notes**

The new notes will mature on June 15, 2022 and will bear interest from and including the settlement date at an annual rate of 73/4%. Interest will be payable semi-annually on each June 15 and December 15, commencing on December 15, 2007.

The new notes will be our direct, unsecured obligations and will rank equally and ratably with all of our other unsecured and unsubordinated indebtedness.

We may redeem some or all of the new notes at any time on or after June 15, 2012.

All other terms of the new notes will be substantially identical to those of the old notes. The new notes will be issued under the same indenture and have the same covenants as the old notes. For a description of the terms of the new notes and the indenture pursuant to which the new notes will be issued, see *Description of the New Notes*.

**We are permitted to prepare this prospectus supplement and the accompanying base shelf prospectus in accordance with Canadian disclosure requirements, which are different from those of the United States. We prepare our financial statements in accordance with Canadian generally accepted accounting principles, and are subject to Canadian auditing and auditor independence standards. Our financial statements may not be comparable to financial statements of U.S. companies.**

**Owning the securities may subject you to tax consequences both in the United States and Canada. This prospectus supplement and the accompanying base shelf prospectus may not describe these tax consequences fully. You should read the tax discussion in this prospectus supplement. You should consult your own counsel, accountant or other advisors for legal, tax, business, financial and related advice regarding the exchange offer.**

**Prospective investors should be aware that, during the period of the exchange offer, we or our affiliates, directly or indirectly, may bid for or make purchases of the securities to be distributed or to be exchanged, or certain related securities, as permitted by applicable laws or regulations of Canada, or its provinces or territories.**

**Your ability to enforce civil liabilities under the U.S. federal securities laws may be affected adversely because we are incorporated in Canada, most of our officers and directors and certain of the experts named in this prospectus supplement and the accompanying base shelf prospectus are Canadian residents, and many of our assets are located in Canada.**

**Neither the U.S. Securities and Exchange Commission nor any state or provincial securities regulator has approved or disapproved of these securities, or determined if this prospectus supplement or accompanying base prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document is in two parts. The first part is this prospectus supplement, which describes the terms of the securities that we are currently offering for exchange. The second part is the accompanying base shelf prospectus, which gives more general information, some of which may not apply to the securities that we are currently offering. Generally, the term prospectus refers to both parts combined.

You should read this prospectus supplement along with the accompanying base shelf prospectus. You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying base shelf prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should not assume that the information provided by this prospectus supplement or the accompanying base shelf prospectus is accurate as of any date other than the date on the front of these documents. Our business, financial condition, results of operations and prospects may have changed since those dates. The new notes are being offered only in jurisdictions in which offers and sales are permitted.

If the information varies between this prospectus supplement and the accompanying base shelf prospectus, the information in this prospectus supplement supercedes the information in the accompanying base shelf prospectus.

**ENFORCEABILITY OF CERTAIN CIVIL LIABILITIES**

We are a corporation organized under the laws of Canada and some of our assets are located in, and most of our directors and most of our officers are residents of, Canada. As a result, it may be difficult for U.S. investors to effect service of process within the United States upon our directors or officers, or to realize in the United States upon judgments of courts of the United States predicated upon civil liability of such directors or officers under U.S. federal securities laws. We have been advised by Torys LLP, our Canadian counsel, that a judgment of a U.S. court predicated solely upon civil liability under such laws would probably be enforceable in Canada if the U.S. court in which the judgment was obtained had a basis for jurisdiction in the matter that was recognized by a Canadian court for such purposes. We have also been advised by such counsel, however, that there is substantial doubt whether an action could be brought in Canada in the first instance on the basis of liability predicated solely upon such laws.

**PRESENTATION OF FINANCIAL INFORMATION**

As the majority of our operations are in the United States or conducted in U.S. dollars, we report our consolidated financial statements in U.S. dollars in order to provide more meaningful information to users of our financial statements. In this prospectus, except where otherwise indicated, all dollar amounts are expressed in U.S. dollars, references to \$ , US\$ and dollars are to U.S. dollars, and references to Cdn\$ are to Canadian dollars.

Our consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada, or Canadian GAAP, which differ from generally accepted accounting principles in the United States, or U.S. GAAP. For a discussion of the material differences between Canadian GAAP and U.S. GAAP as they relate to our financial statements, see note 20 to our audited consolidated financial statements for the year ended December 31, 2006 and note 9 to our unaudited interim consolidated financial statements for the three months ended March 31, 2007, incorporated by reference in this prospectus.



**Table of Contents****EXCHANGE RATE DATA**

The following table sets forth, for each period indicated, the low and high exchange rates for Canadian dollars expressed in U.S. dollars, the exchange rate at the end of such period and the average of such exchange rates for each day during such period, based on the inverse of the noon buying rate in The City of New York for cable transfers in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York:

	<b>Year Ended December 31,</b>				<b>Three Months Ended</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2006</b>	<b>March 31,</b>
							<b>2007</b>
Low	0.6200	0.6349	0.7158	0.7872	0.8528	0.8528	0.8437
High	0.6619	0.7738	0.8493	0.8690	0.9100	0.8834	0.8673
Period End	0.6329	0.7738	0.8310	0.8579	0.8582	0.8569	0.8673
Average	0.6369	0.7159	0.7696	0.8260	0.8821	0.8661	0.8535

On May 9, 2007, the inverse of the noon buying rate was \$0.9039 = Cdn\$1.00.

**FORWARD-LOOKING STATEMENTS**

Any statements made by us or on our behalf may include forward-looking statements that reflect our current views with respect to future events and financial performance. The words believe, anticipate, project, expect, plan, in predict, estimate, will likely result, will seek to or will continue and similar expressions identify forward-looking statements. These forward-looking statements relate to, among other things, our plans and objectives for future operations and underwriting profits. We caution readers not to place undue reliance on these forward-looking statements, which speak only as of their dates. We are under no obligation to update or alter such forward-looking statements as a result of new information, future events or otherwise. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These uncertainties and other factors, which we describe in more detail elsewhere in this prospectus supplement and the accompanying base shelf prospectus, or in documents incorporated by reference therein, include, but are not limited to:

a reduction in net income if our loss reserves are insufficient;

underwriting losses on the risks we insure that are higher or lower than expected;

insufficient reserves for asbestos, environmental and other latent claims;

the lowering or loss of our subsidiaries' financial or claims-paying ability ratings;

an inability to maintain effective internal control over financial reporting;

an inability to realize our investment objectives;

changes in economic conditions, including interest rates and the securities markets, which could affect our investment portfolio;

exposure to credit risk in the event our reinsurers fail to make payments to us under our reinsurance arrangements;

exposure to credit risk in the event our insureds fail to pay premiums that are owed to us or fail to reimburse us for deductibles that are paid by us on their behalf;

exposure to credit risk in the event insurance producers or reinsurance intermediaries fail to remit premiums owed to us;

the occurrence of catastrophic events with a frequency or severity exceeding our estimates;

a decrease in the level of demand for reinsurance or insurance products, or increased competition in the insurance industry;

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the cycle of the insurance market, which can substantially influence our and our competitors' premium rates and capacity to write new business;

our inability to obtain reinsurance coverage in sufficient amounts, at reasonable prices or on terms that adequately protect us;

the timing of loss payments being faster or the receipt of reinsurance recoverables being slower than anticipated by us;

our dependence on independent brokers over whom we exercise little control;

adverse fluctuations in foreign currency exchange rates;

assessments and shared market mechanisms which can adversely affect our U.S. insurance subsidiaries;

our failure to realize future income tax assets;

loss of key employees;

the influence exercisable by our controlling shareholder;

the passage of legislation subjecting our businesses to additional supervision or regulation, including additional tax regulation, in the United States, Canada or other jurisdictions in which we operate;

our inability to obtain required levels of capital on favorable terms, if at all;

our inability to access our subsidiaries' cash;

the failure of any of the loss limitation methods we employ;

an impairment in the value of our goodwill;

risks associated with implementing our business strategies;

risks associated with current government investigations and requests for information from government authorities; and

risks associated with pending class action and civil litigation.

See "Risk Factors" in this prospectus supplement and in the accompanying base shelf prospectus for a further discussion of these risks and uncertainties.

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**SUMMARY**

*This brief summary highlights selected information from this prospectus supplement and the accompanying base shelf prospectus. It may not contain all of the information that is important to you. We urge you to carefully read and review the entire prospectus supplement and the accompanying base shelf prospectus and the documents incorporated by reference therein, including our historical financial statements for the year ended December 31, 2006 and the three months ended March 31, 2007 and the notes to those financial statements. You should read Risk Factors beginning on page S-12 of this prospectus supplement and page 6 of the accompanying base shelf prospectus for more information about important factors that you should consider before making a decision to participate in the exchange offer.*

*Unless the context otherwise requires, the terms Fairfax, Company, we, us and our refer to Fairfax Financial Holdings Limited and its subsidiaries; the term OdysseyRe refers to our public reinsurance business, Odyssey Re Holdings Corp. and its subsidiaries; the term Crum & Forster refers to our wholly-owned U.S. property and casualty insurance business, Crum & Forster Holdings Corp. and its subsidiaries; the term Northbridge refers to our public Canadian property and casualty insurance business, Northbridge Financial Corporation and its subsidiaries; the term Hamblin Watsa refers to our wholly-owned investment management subsidiary, Hamblin Watsa Investment Counsel Ltd; and the term Cunningham Lindsey refers to our claims adjusting subsidiary, Cunningham Lindsey Group Inc. and its subsidiaries. All references in this prospectus supplement and the accompanying base shelf prospectus to \$, US\$ or dollars refer to United States dollars and all references to Cdn\$ refer to Canadian dollars, unless otherwise indicated.*

**FAIRFAX FINANCIAL HOLDINGS LIMITED**

We are a financial services holding company primarily engaged in property and casualty insurance and reinsurance. We are incorporated under the *Canada Business Corporations Act*. We operate through a decentralized operating structure, with autonomous management teams applying a focused underwriting strategy to our markets. We seek to differentiate ourselves by combining disciplined underwriting with the investment of our assets on a total return basis, which we believe provides above-average returns over the long-term. We provide a full range of property and casualty products, maintaining a diversified portfolio of risks across classes of business, geographic regions, and types of insureds. We have been under current management since September 1985. Our principal executive offices are located at 95 Wellington Street West, Suite 800, Toronto, Ontario, M5J 2N7, Canada. Our telephone number is (416) 367-4941.

We conduct our business primarily through the following segments, with each of our continuing operations maintaining a strong position in its respective markets.

Our reinsurance business is primarily conducted through OdysseyRe, a U.S.-based underwriter of a full range of property and casualty reinsurance on a worldwide basis. We have a majority interest in OdysseyRe, whose common stock is traded on the New York Stock Exchange under the symbol ORH.

Our U.S. insurance business provides a full range of commercial property and casualty insurance, principally through Crum & Forster, a national property and casualty insurance group which targets specialty classes of business that emphasize strong technical underwriting expertise. We own all of the equity of Crum & Forster.

Our Canadian insurance business is conducted principally through Northbridge, which provides commercial and personal lines property and casualty insurance in Canada through a wide range of distribution channels. We have a

majority interest in Northbridge, whose common shares are traded on the Toronto Stock Exchange under the symbol NB.

Our runoff business primarily includes our discontinued business that did not meet our underwriting criteria or strategic objectives and selected business previously written by our other subsidiaries that was put under dedicated runoff management. In addition, our runoff segment also includes third-party runoff operations that we have acquired, which we believe will provide us with the opportunity to earn attractive returns on our invested capital.

Our invested assets are managed by our wholly-owned investment management subsidiary, Hamblin Watsa. Hamblin Watsa has managed our invested assets since September 1985 and emphasizes a conservative investment philosophy, seeking to invest our assets on a total return basis, which includes realized and unrealized gains over the long-term, using a value-oriented approach.

### **Debt Ratings**

Our senior unsecured debt is rated **BB**, with a negative outlook, by Standard & Poor's, **Ba3**, with a stable outlook, by Moody's and **bbb**, with a stable outlook, by A.M. Best. A rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn at any time by the applicable rating agency.

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Purpose of the Exchange Offer	To refinance a portion of our outstanding debt and extend our debt maturity profile.
Terms of the Exchange Offer	<p>We are offering to exchange for each \$1,000 principal amount of our outstanding 73/4% Notes Due 2012 (the old notes ):</p> <p>\$1,000 principal amount of our new 73/4% senior notes due 2022 (the new notes ), and</p> <p>accrued and unpaid interest in cash on old notes that we acquire in the exchange to but not including the settlement date (as defined below), which we currently expect to be June 12, 2007.</p> <p>In addition, for each \$1,000 principal amount of old notes exchanged at or prior to midnight, New York City time, on May 23, 2007, which date we refer to as the early participation date, an amount of cash in U.S. dollars equal to the early participation payment as set out in the table below.</p>

CUSIP Number	Principal Amount Outstanding	Old Notes to be Exchanged	New Note Principal Amount	Cash Early Participation Payment
303901AN2	\$ 464,193,000	73/4% Notes due 2012	\$ 1,000	\$ 30.00

The new notes will accrue interest from and including the settlement date at a rate of 73/4% per annum on the principal amount. Interest will be payable semi-annually on each June 15 and December 15, commencing on December 15, 2007. The new notes will mature on June 15, 2022.

We may redeem some or all of the new notes at any time on or after June 15, 2012. The redemption prices are described under Description of the new notes Redemption *Optional redemption*.

All other terms of the new notes will be substantially identical to those of the old notes. The new notes will be issued under the same indenture, and will have the same covenants, as the old notes. For a description of the terms of the new notes and the indenture pursuant to which the new notes will be issued, see Description of the New Notes.

Outstanding old notes may be exchanged only in minimum denominations of \$1,000 and integral multiples of \$1,000 in excess thereof. New notes will be issued only in minimum denominations of \$1,000 and integral multiples of \$1,000 in excess thereof.

Subject to the satisfaction or waiver of specified conditions, we will exchange the cash and new notes for all of the old notes that are validly tendered and not withdrawn prior to the expiration of the exchange offer.

Early Participation Date	Old notes must be tendered at or prior to midnight, New York City time, on May 23, 2007 to receive the early participation payment.
Expiration Date	The exchange offer will expire at 9:00 a.m., New York City time, on June 8, 2007, unless we extend the offer.
Settlement Date	The early participation payment will be paid, as applicable, and the new notes will be issued in exchange for the old notes in the exchange offer, if consummated, on the second business day following the expiration date of the exchange offer or as soon as practicable thereafter, which date we refer to as the settlement date. We currently expect the settlement date to be June 12, 2007.
Withdrawal of Tenders	Tenders of old notes may be withdrawn at any time prior to midnight, New York City time, on May 23, 2007, which date we refer to as the withdrawal deadline. Tenders of old notes may not be withdrawn after the withdrawal

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deadline unless we are required by law to permit withdrawal. See The Exchange Offer Withdrawal of Tenders.

Taxation

The exchange of the old notes for new notes and the payment of the early participation payment, if applicable, in the exchange offer will be a taxable event for U.S. federal income tax purposes. If the exchange qualifies as a recapitalization, U.S. Holders (as defined in Certain Income Tax Considerations Certain United States Federal Income Tax Considerations ) will generally recognize gain (but not loss) equal to the lesser of the amount of the gain realized or the early participation payment, if applicable. See Certain Income Tax Considerations Certain United States Federal Income Tax Considerations.

The exchange of the old notes for new notes and the payment of the early participation payment in the exchange offer will be a taxable event for Canadian federal income tax purposes. Holders who are resident in Canada will generally recognize a capital gain equal to the proceeds of disposition, net of reasonable costs of disposition, less the adjusted cost base of the old notes. See Certain Income Tax Considerations Certain Canadian Federal Income Tax Considerations.

Conditions to the Exchange Offer

The exchange offer is subject to customary conditions, which we may assert or waive in our absolute discretion. The exchange offer is not subject to any condition as to a minimum or maximum principal amount of old notes that we will accept for tender. See The Exchange Offer Conditions to the Exchange Offer.

Procedures for Tendering

If you wish to accept the exchange offer and your old notes are held by a custodial entity such as a bank, broker, dealer, trust company or other nominee, you must instruct this custodial entity to tender your old notes on your behalf pursuant to the procedures of the custodial entity. If your old notes are registered in your name, you must complete, sign and date the accompanying letter of transmittal, or a facsimile of the letter of transmittal, according to the instructions contained in this prospectus supplement and the letter of transmittal. You must also mail or otherwise deliver the letter of transmittal, or a facsimile of the letter of transmittal, together with the old notes and any other required documents, to the exchange agent at the address set forth on the cover page of the letter of transmittal.

Custodial entities that are participants in The Depository Trust Company, referred to as DTC , must tender old notes through the Automated Tender Offer Program, known as ATOP, maintained by DTC, by which such custodial entity and the beneficial owner on whose behalf the custodial entity is acting agree to be bound by the letter of transmittal. *A letter of transmittal need not accompany tenders effected through ATOP.*

Consequences of Failure to Exchange

For a description of the consequences of a failure to exchange the old notes, see Risk Factors Risks Relating to Tendering Old Notes for New Notes.



Exchange Agent	D.F. King & Co., Inc. The address and telephone number of the exchange agent are on the back cover page of this prospectus.
Information Agent	D.F. King & Co., Inc. The address and telephone number of the information agent are on the back cover page of this prospectus.
Dealer Managers	Merrill Lynch, Pierce, Fenner & Smith Incorporated, BMO Capital Markets Corp. and Ferris, Baker Watts, Incorporated. Merrill Lynch Canada Inc. and BMO Nesbitt Burns Inc. will act as dealer managers in Canada. The addresses and telephone numbers of the dealer managers are on the back cover page of this prospectus.

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**SUMMARY OF THE NEW NOTES**

Issuer	Fairfax Financial Holdings Limited
Maturity Date	June 15, 2022
Interest	73/4%. Interest will be payable semi-annually on each June 15 and December 15, commencing December 15, 2007. Interest will accrue from and including the settlement date of the exchange offer. You will be paid accrued and unpaid interest to but not including the settlement date on old notes that we acquire in the exchange.
Ranking	The new notes will be direct, unsecured obligations of Fairfax Financial Holdings Limited. The new notes will rank equally and ratably with all of Fairfax Financial Holdings Limited's existing unsecured and unsubordinated indebtedness. The new notes will also be effectively subordinated to all obligations of Fairfax Financial Holdings Limited's subsidiaries. At March 31, 2007, the aggregate indebtedness of our subsidiaries was approximately \$1.0 billion. See Risk Factors Risks Related to the New Notes.
Optional Redemption	We may redeem some or all of the new notes at any time on or after June 15, 2012. See Description of the new notes Redemption <i>Optional redemption</i> .
Restrictive Covenants	The indenture governing the new notes is the indenture governing the old notes and contains covenants that, among other things, limit our ability to: <ul style="list-style-type: none"> <li>create liens on the capital stock of certain of our subsidiaries; and</li> <li>enter into specific mergers or consolidations or convey, transfer or lease our properties and assets substantially as an entirety.</li> </ul>
Events of Default	For a discussion of events that will permit acceleration of the payment of the principal of, and accrued interest on, the new notes, see Description of the New Notes Events of Default.
Form and Denomination	The new notes will be issued only in the form of one or more global notes. See Description of the New Notes Book-Entry; Delivery and Form. Each global note will be deposited with DTC, in each case for credit to the account of a direct or indirect participant of DTC. Investors in the global notes who are participants in DTC may hold their interests in the global notes directly through DTC. Investors in the global notes who are not participants in DTC may hold their interests indirectly through organizations that are participants in DTC. Interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants, including Euroclear and Clearstream.

Except as set forth under Description of the New Notes Certificated Securities, participants and indirect participants will not be entitled to receive physical delivery of definitive new notes or to have new notes issued and registered in their names and will not be considered the owners or holders of the new notes under the indenture.

Interests in the global notes and the definitive new notes, if any, will be issued in minimum denominations of \$1,000 and integral multiples of \$1,000 in excess thereof.

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PORTAL	The new notes will be designated eligible for trading in the Private Offerings, Resale and Trading through Automated Linkage market, known as PORTAL.
Governing Law	The new notes and their governing indenture will be governed by, and construed in accordance with, the laws of the State of New York.
Trustees	The Bank of New York, as the successor U.S. trustee, and CIBC Mellon Trust Company, as the successor Canadian trustee.
Paying Agent	The Bank of New York.

**Risk Factors**

You should carefully consider all of the information set forth in this prospectus supplement and the accompanying base shelf prospectus and, in particular, should evaluate the specific risk factors beginning on page S-12 of this prospectus supplement and on page 6 of the base shelf prospectus.

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**Table of Contents****SELECTED HISTORICAL FINANCIAL DATA**

The following selected historical financial data should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2006 and the three months ended March 31, 2007 and the related management's discussion and analysis thereon that are incorporated by reference in this prospectus.

The selected historical consolidated financial data for the years ended and as at December 31, 2004, 2005 and 2006 and the three months ended March 31, 2007 and 2006 are derived from our audited consolidated financial statements and our unaudited interim consolidated financial statements, respectively. We prepare our consolidated financial statements in accordance with Canadian GAAP, which differs in certain respects from U.S. GAAP. For a discussion of the principal differences between Canadian GAAP and U.S. GAAP as they pertain to us, see note 20 to our audited consolidated financial statements for the year ended December 31, 2006 and note 9 to our unaudited interim consolidated financial statements for the three months ended March 31, 2007, incorporated by reference in this prospectus.

We encourage you to read the consolidated financial statements incorporated by reference in this prospectus because they contain our complete financial statements for the periods presented. Our historical results of operations are not necessarily indicative of future results.

	<b>Three Months Ended</b>		<b>Years Ended December 31,</b>		
	<b>March 31,</b>		<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>2007(1)</b>	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>(dollars in millions, except per share amounts)</b>				
<b>Canadian GAAP Statement of Earnings:</b>					
Gross premiums written	\$ 1,231.7	\$ 1,341.8	\$ 5,460.6	\$ 5,559.1	\$ 5,603.1
Net premiums written	1,069.4	1,157.6	4,763.7	4,694.6	4,785.7
Net premiums earned	1,137.9	1,185.7	4,850.6	4,692.5	4,804.3
Interest and dividends	198.6	149.2	746.5	466.1	375.7
Net gains on investments	98.8	289.6	835.3	385.7	313.6
Claims fees	99.7	90.0	371.3	356.2	336.1
Total revenues	1,535.0	1,714.5	6,803.7	5,900.5	5,829.7
Losses on claims	773.7	799.3	3,822.4	4,370.9	3,507.5
Operating expenses	284.8	261.0	1,111.6	1,059.7	1,030.6
Commissions, net	185.5	208.9	780.7	736.0	827.3
Interest expense	48.9	52.2	210.4	200.4	176.7
Total expenses	1,292.9	1,321.4	5,925.1	6,367.0	5,542.1
Earnings (loss) from operations before income taxes	242.1	393.1	878.6	(466.5)	287.6
	79.3	145.0	485.6	(66.3)	154.9

Provision for (recovery of) income taxes

Net earnings (loss) before non-controlling interests	162.8	248.1	393.0	(400.2)	132.7
Non-controlling interests	(51.9)	(49.7)	(165.5)	(46.4)	(79.6)
Net earnings (loss)	\$ 110.9	\$ 198.4	\$ 227.5	\$ (446.6)	\$ 53.1
Net earnings (loss) per diluted share	\$ 5.88	\$ 10.51	\$ 11.92	\$ (27.75)	\$ 3.11

**Canadian GAAP Selected Balance Sheet Data (at period end):**

Total investments and cash(2)	\$ 17,037.2	\$ 15,334.6	\$ 16,819.7	\$ 14,869.4	\$ 13,460.6
Total assets	26,426.4	27,526.2	26,576.5	27,542.0	26,271.2
Provision for claims	15,395.0	16,106.7	15,502.3	16,235.1	15,166.0
Total shareholders equity	3,001.4	2,818.1	2,856.9	2,644.2	2,801.7
Common shareholders equity per share	158.31	147.42	150.16	137.50	162.76

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- (1) On January 1, 2007, the company adopted five new accounting standards that were issued by the Canadian Institute of Chartered Accountants ( CICA ): CICA Handbook Section 1530, Comprehensive Income; Section 3855, Financial Instruments – Recognition and Measurement; Section 3251, Equity; Section 3861, Financial Instruments – Disclosure and Presentation; and Section 3865, Hedges. The adoption of these new accounting standards resulted in changes in the accounting for financial instruments as well as the recognition of certain transition adjustments that have been recorded in opening retained earnings or opening accumulated other comprehensive income. The company adopted these standards prospectively and, accordingly, prior period balances have not been restated (except for the reclassification of the currency translation account which was adopted retroactively with prior period restatement). The adoption of these new accounting standards had no significant impact on earnings per share during the first quarter of 2007.
- (2) Includes cash and short-term investments, marketable securities and total portfolio investments, and is net of short sale and derivative obligations. See note 4 to our audited consolidated financial statements for the year ended December 31, 2006 and note 3 to our unaudited interim consolidated financial statements for the three months ended March 31, 2007, incorporated by reference into this prospectus for a discussion of the components of our portfolio investments.

**Three Months  
Ended  
March 31,  
2007                      2006                      Years Ended December 31,  
2006                      2005                      2004**  
(dollars in millions, except per share data)

**Selected Financial Ratios:**

Reinsurance Operations (OdysseyRe)					
Loss & loss adjustment expense ratio(1)	68.2%	65.7%	68.7%	90.5%	69.6%
Expense ratio(2)	28.1	29.7	27.8	27.0	27.4
Combined ratio(3)	96.3%	95.4%	96.5%	117.5%	97.0%
U.S. Insurance Operations					
Loss & loss adjustment expense ratio(1)	67.0%	70.0%	64.1%	71.7%	75.0%
Expense ratio(2)	28.9	28.4	28.2	29.2	30.4
Combined ratio(3)	95.9%	98.4%	92.3%	100.9%	105.4%
Canadian Insurance Operations (Northbridge)					
Loss & loss adjustment expense ratio(1)	65.0%	65.8%	71.8%	67.9%	62.2%
Expense ratio(2)	28.5	25.5	26.2	25.0	25.5
Combined ratio(3)	93.5%	91.3%	98.0%	92.9%	87.7%
Consolidated combined ratio (excluding runoff)	95.7%	95.1%	95.5%	107.7%	96.9%
<b>U.S. GAAP Reconciliation of Earnings:</b>					
Net earnings (loss), Canadian GAAP	\$ 110.9	\$ 198.4	\$ 227.5	\$ (446.6)	\$ 53.1

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Recoveries (deferred gains) on retroactive reinsurance	3.4	13.2	465.8	169.8	(15.1)
Other than temporary declines in investments		7.9	7.9	21.7	28.1
Embedded bond investment derivatives		7.8	(3.1)	4.9	12.6
Other differences	0.4		(6.5)	(2.0)	(14.5)
Tax effect	(1.2)	(8.1)	(37.2)	(61.2)	12.6
Net earnings (loss), U.S. GAAP	113.5	219.2	654.4	(313.4)	76.8
Other comprehensive income	8.5	(150.4)	(195.2)	(2.1)	147.6
Comprehensive income	\$ 122.0	\$ 68.8	\$ 459.2	\$ (315.5)	\$ 224.6
Net earnings (loss), per diluted share, U.S. GAAP	\$ 6.01	\$ 11.61	\$ 34.73	\$ (19.65)	\$ 4.82

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	<b>Three Months Ended</b>		<b>Years Ended December 31,</b>		
	<b>March 31,</b>	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>2007</b>				
	<b>(dollars in millions, except per share data)</b>				
<b>U.S. GAAP Reconciliation of Shareholders' Equity:</b>					
Total shareholders' equity, Canadian GAAP	\$ 3,001.4	\$ 2,818.1	\$ 2,856.9	\$ 2,644.2	\$ 2,801.7
Accumulated other comprehensive income (excluding currency translation account)	(67.3)	119.1	(1.7)	275.3	283.8
Reduction of other paid in capital	(57.9)	(59.4)	(57.9)	(59.4)	(59.4)
Adjustment to initially apply FIN 48	(4.4)				
Cumulative reduction in net earnings, U.S. GAAP	(61.4)	(458.8)	(52.7)	(479.6)	(612.8)
Total shareholders' equity, U.S. GAAP	\$ 2,810.4	\$ 2,419.0	\$ 2,744.6	\$ 2,380.5	\$ 2,413.3
Common shareholders' equity per share, U.S. GAAP	\$ 150.81	\$ 128.32	\$ 147.09	\$ 126.02	\$ 142.21

- (1) Loss and loss adjustment expense ratio is calculated as claims losses and loss adjustment expenses expressed as a percentage of net premiums earned. For further information on these ratios, please read the management's discussion and analysis incorporated by reference in this prospectus.
- (2) Expense ratio is calculated as commissions, premium acquisition costs and other underwriting expenses as a percentage of net premiums earned. For further information on these ratios, please read the management's discussion and analysis incorporated by reference in this prospectus.
- (3) The combined ratio, which may be calculated differently by different companies, is the traditional measure of underwriting results of property and casualty insurance companies and is regarded as a non-GAAP measure.

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**RISK FACTORS**

*An investment in our securities involves risk. You should carefully consider the following risk factors and the risk factors beginning on page 6 of the accompanying base shelf prospectus, as well as the other information contained in and incorporated by reference into this prospectus, before deciding whether to participate in the exchange offer. Any of the following risks could materially adversely affect our business, financial condition or results of operations and could materially adversely affect your investment in the new notes. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, financial condition or results of operations.*

**Risks Related to the New Notes**

*The new notes are effectively subordinated to the indebtedness of our subsidiaries.*

The new notes are effectively subordinated to any existing and future indebtedness and other liabilities of our subsidiaries. You will not have any claim as a creditor against our subsidiaries or the assets of our subsidiaries. Therefore, in the event of the insolvency or liquidation of a subsidiary, following payment by such subsidiary of its liabilities, the subsidiary may not have sufficient remaining assets to make payments to us as a shareholder or otherwise. In the event of a default by a subsidiary under any credit agreement or other indebtedness, its creditors could accelerate the debt, prior to such subsidiary distributing amounts to us that we could use to make payments on the new notes. In addition, if we caused a subsidiary to pay a dividend to us to make payments on the new notes, and the dividend were determined to be improperly paid, holders of the new notes would be required to return the payment to the subsidiary's creditors.

As of March 31, 2007, our subsidiaries had approximately \$1.0 billion of indebtedness. Our subsidiary debt may increase in the future. The terms of the new notes do not limit the ability of our subsidiaries to incur additional indebtedness that is senior to the new notes.

*We are a holding company, and we may not have access to the cash that is needed to make payments on the new notes.*

We are a holding company and we conduct substantially all of our business through our subsidiaries and receive substantially all of our earnings from them. None of our subsidiaries is obligated to make funds available to us for payment on the new notes. Accordingly, our ability to make payments on the new notes is dependent on the distribution of earnings from our subsidiaries. The ability of our subsidiaries to pay dividends to us in the future will depend on their statutory surplus, on earnings and on regulatory restrictions. The ability of our subsidiaries to pay dividends or make distributions or returns of capital to us is subject to restrictions set forth in the insurance laws and regulations of Canada, the United States, Ireland and the United Kingdom and is affected by our subsidiaries' credit agreements, indentures, rating agencies, the discretion of insurance regulatory authorities and capital support agreements with our subsidiaries. No assurance can be given that some or all of our operating subsidiaries' jurisdictions will not adopt statutory provisions more restrictive than those currently in effect. Our subsidiaries may incur additional indebtedness that may severely restrict or prohibit the making of distributions, the payment of dividends or the making of loans by our subsidiaries to us. We cannot assure you that the agreements governing the current and future indebtedness of our subsidiaries will permit our subsidiaries to provide us with sufficient dividends, distributions or loans to fund payments on the new notes when due.

***We may incur additional indebtedness that may adversely affect our ability to meet our financial obligations under the new notes.***

Our obligations under the new notes rank equally with all of our other unsecured senior indebtedness. We may incur additional indebtedness in the future, which could have important consequences to holders of the new notes, including the following:

we could have insufficient cash to meet our financial obligations, including our obligations under the new notes;

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our ability to obtain additional financing for working capital, capital expenditures or general corporate purposes may be impaired; and

a significant degree of debt could make us more vulnerable to changes in general economic conditions and also could affect the financial strength ratings of our insurance subsidiaries.

Your decision to tender your old notes should be made with the understanding that the lengthened maturity of the new notes exposes you to the risks of non-payment for a longer period of time.

***Holders of the new notes may not be protected in the event we are involved in a highly leveraged transaction, reorganization, restructuring, merger or similar transaction in the future.***

The indenture under which the new notes will be issued may not sufficiently protect holders of new notes if we are involved in a highly leveraged transaction, reorganization, restructuring, merger or similar transaction. The indenture does not contain:

any provision restricting any of our subsidiaries from incurring, assuming or being liable with respect to any indebtedness or other obligations;

any provision restricting us or our subsidiaries from incurring, assuming or being liable with respect to any unsecured indebtedness or other unsecured obligations;

any provision restricting us or any of our subsidiaries from paying dividends or making other distributions on capital stock or from purchasing or redeeming capital stock;

any restrictions on the ability of our subsidiaries to issue securities that would be senior to the common shares of the subsidiary held by us;

any financial ratios or specified level of net worth to which we or our subsidiaries must adhere; or

any restrictions on our ability to contribute our assets to our insurance subsidiaries.

***The price at which you may be able to resell your new notes may be adversely affected by factors that are beyond our control.***

If you are able to resell your new notes, the price you receive will depend on many factors that may vary over time, including:

the number of potential buyers;

the level of liquidity of the new notes;

our financial performance;

the amount of indebtedness we have outstanding;

the level, direction and volatility of market interest rates generally; and

the market for similar securities.

As a result of these factors, you may only be able to sell your new notes at prices below those you believe to be appropriate, including prices below the price at which you acquired them in the offer.

***There may be no active market for the new notes.***

We cannot be sure that any active market for the new notes will develop, or if one does develop, that it will be maintained. If an active market for the new notes fails to develop or be sustained, the trading price of the new notes could decline. We do not intend to apply for listing of the new notes on any securities exchange or any automated quotation system.

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**Risks Related to Tendering Old Notes for New Notes**

*The exchange offer will result in reduced liquidity of unexchanged old notes*

The trading market for unexchanged old notes could become more limited than the existing limited trading market for the old notes and could cease to exist altogether due to the reduction in the amount of the old notes outstanding upon consummation of the exchange offer. A more limited trading market might adversely affect the liquidity, market price and price volatility of the old notes. If a market for unexchanged old notes exists or develops, the old notes may trade at a discount to the price at which they would trade if the amount outstanding were not reduced. There can, however, be no assurance that an active market in the unexchanged old notes will exist, develop or be maintained or as to the prices at which the unexchanged old notes may be traded.

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**Table of Contents****CAPITALIZATION****Canadian GAAP**

The table below sets forth our capitalization as of March 31, 2007 under Canadian GAAP. The **As Adjusted** column reflects our capitalization after giving effect to: (a) the issuance on May 7, 2007 by Crum & Forster of \$330.0 million aggregate principal amount of 7.75% notes due 2017 and the application of the net proceeds from that offering to the repurchase of \$295.7 million of Crum & Forster's 10.375% unsecured senior notes due 2013 (issue costs on this exchange were \$36.2 million); (b) the repurchases on April 27, 2007 and May 4, 2007 of \$27.0 million aggregate principal amount of our 7.375% senior notes due 2018; (c) the repurchases on April 27, 2007 and April 30, 2007 of \$9.1 million aggregate principal amount of our 8.25% senior notes due 2015; (d) the conversion on May 1, 2007, by the senior debenture holders, of \$22.5 million aggregate principal amount of OdysseyRe's 4.375% senior debentures due 2022; and (e) this exchange offer (assuming that holders of 50% of the aggregate principal amount of outstanding old notes participate in the exchange offer and that all of such holders tender their old notes prior to the early participation date). The cash to be paid in the exchange offer will be paid out of our existing cash. You should read this table in conjunction with our audited consolidated financial statements for the year ended December 31, 2006 and our unaudited interim consolidated financial statements for the three months ended March 31, 2007, incorporated by reference into this prospectus.

	<b>As of March 31, 2007</b>	
	<b>Actual</b>	<b>As Adjusted</b>
	<b>(dollars in millions)</b>	
<b>Cash, short-term investments and marketable securities</b>	\$ 774.3	\$ 728.2
<b>Debt(1)</b>		
Long-term debt – holding company borrowings	\$ 973.9	\$ 705.7
Long-term debt – subsidiary company borrowings	906.3	881.9
Purchase consideration payable	178.1	178.1
Trust preferred securities of subsidiaries	17.9	17.9
Convertible senior debentures(2)	135.7	135.7
Indebtedness of Cunningham Lindsey	68.9	68.9
New notes		222.9
Total debt	2,280.8	2,211.1
<b>Non-controlling interests(3)</b>	1,357.8	1,384.6
<b>Shareholders' equity</b>		
Common shareholders' equity	2,071.9	2,071.9
Other paid in capital(2)	57.9	57.9
Treasury stock	(18.3)	(18.3)
Preferred shares	136.6	136.6
Retained earnings(4)	685.5	681.9
Accumulated other comprehensive income	67.8	67.8

Total shareholders equity	3,001.4	2,997.8
<b>Total capitalization</b>	<b>\$ 6,640.0</b>	<b>\$ 6,593.5</b>
Total debt as a percentage of total capitalization	34.3%	33.5%
Net debt as a percentage of net total capitalization(5)	25.7%	25.3%

- (1) See notes 8 and 9 of our audited consolidated financial statements for the year ended December 31, 2006 and note 5 to our unaudited consolidated financial statements for the three months ended March 31, 2007, incorporated by reference in this prospectus, for more details on our long-term debt and trust preferred securities.
- (2) In accordance with Canadian GAAP, the convertible senior debentures issued July 14, 2003 are recorded as components of debt and equity. The present value of the interest cost and principal amount associated with such debentures, discounted at 8% per annum, is presented as debt and the balance is shown as paid in capital.
- (3) Includes minority interest in OdysseyRe, Northbridge and Cunningham Lindsey.



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- (4) This exchange offer is accounted for as a modification of debt and does not have any impact on retained earnings. Retained earnings have been adjusted to reflect the accounting impact of debt repurchases in the post March 31, 2007 period.
- (5) Net debt equals total debt minus cash, short-term investments and marketable securities.

**U.S. GAAP**

The table below sets forth our capitalization as of March 31, 2007 under U.S. GAAP. The **As Adjusted** column reflects our capitalization after giving effect to: (a) the issuance on May 7, 2007 by Crum & Forster of \$330.0 million aggregate principal amount of 7.75% notes due 2017 and the application of the net proceeds from that offering to the repurchase of \$295.7 million of Crum & Forster's 10.375% unsecured senior notes due 2013 (issue costs on this exchange were \$36.2 million); (b) the repurchases on April 27, 2007 and May 4, 2007 of \$27.0 million aggregate principal amount of our 7.375% senior notes due 2018; (c) the repurchases on April 27, 2007 and April 30, 2007 of \$9.1 million aggregate principal amount of our 8.25% senior notes due 2015; (d) the conversion on May 1, 2007, by the senior debenture holders, of \$22.5 million aggregate principal amount of OdysseyRe's 4.375% senior debentures due 2022; and (e) this exchange offer (assuming that holders of 50% of the aggregate principal amount of outstanding old notes participate in the exchange offer and that all of such holders tender their old notes prior to the early participation date). The cash to be paid in the exchange offer will be paid out of our existing cash. You should read this table in conjunction with our audited consolidated financial statements for the year ended December 31, 2006 and our unaudited interim consolidated financial statements for the three months ended March 31, 2007, incorporated by reference into this prospectus. For a discussion of the material differences between Canadian GAAP and U.S. GAAP as they relate to our financial statements, see note 20 to our audited consolidated financial statements for the year ended December 31, 2006 and note 9 to our unaudited interim consolidated financial statements for the three months ended March 31, 2007, incorporated by reference into this prospectus.

	<b>As of March 31, 2007</b>	
	<b>Actual</b>	<b>As Adjusted</b>
	<b>(dollars in millions)</b>	
<b>Cash, short-term investments and marketable securities</b>	\$ 774.3	\$ 728.2
<b>Debt</b>		
Long-term debt — holding company borrowings	\$ 973.9	\$ 705.7
Long-term debt — subsidiary company borrowings	906.3	881.9
Purchase consideration payable	178.1	178.1
Trust preferred securities of subsidiaries	17.9	17.9
Convertible senior debentures	188.4	188.4
Indebtedness of Cunningham Lindsey	68.9	68.9
New notes		222.9
<b>Total debt</b>	<b>2,333.5</b>	<b>2,263.8</b>
<b>Non-controlling interests<sup>(1)</sup></b>	<b>1,354.8</b>	<b>1,381.6</b>
<b>Shareholders' equity</b>		
Common shareholders' equity	2,071.9	2,071.9
Treasury stock	(18.3)	(18.3)
Preferred shares	136.6	136.6

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Retained earnings(2)	619.7	616.1
Accumulated other comprehensive income	0.5	0.5
Total shareholders' equity	2,810.4	2,806.8
<b>Total capitalization</b>	<b>\$ 6,498.7</b>	<b>\$ 6,452.2</b>
Total debt as a percentage of total capitalization	35.9%	35.1%
Net debt as a percentage of net total capitalization(3)	27.2%	26.8%

(1) Includes minority interest in OdysseyRe, Northbridge and Cunningham Lindsey.

(2) This exchange offer is accounted for as a modification of debt and does not have any impact on retained earnings. Retained earnings have been adjusted to reflect the accounting impact of debt repurchases in the post March 31, 2007 period.

(3) Net debt equals total debt minus cash, short-term investments and marketable securities.

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**Table of Contents****THE EXCHANGE OFFER****Purpose of the Exchange Offer**

To refinance a portion of our outstanding debt and extend our debt maturity profile.

**Terms of the Exchange Offer**

We are offering to exchange for each \$1,000 principal amount of our outstanding 7<sup>3</sup>/<sub>4</sub>% Notes Due 2012 (the old notes):

\$1,000 principal amount of our new 7<sup>3</sup>/<sub>4</sub>% senior notes due 2022 (the new notes), and

accrued and unpaid interest in cash on old notes that we acquire in the exchange to but not including the settlement date (as defined below), which we currently expect to be June 12, 2007.

In addition, for each \$1,000 principal amount of old notes exchanged at or prior to midnight, New York City time, on May 23, 2007, which date we refer to as the early participation date, an amount of cash in U.S. dollars equal to the early participation payment as set out in the table below.

The early participation payment will only be paid to you if you validly tender and do not validly withdraw your old notes at or prior to the early participation date.

The exchange offer will expire at 9:00 a.m., New York City time, on June 8, 2007, unless we extend the offer.

<b>CUSIP Number</b>	<b>Principal Amount Outstanding</b>	<b>Old Notes to be Exchanged</b>	<b>New Note Principal Amount</b>	<b>Cash Early Participation Payment</b>
303901AN2	\$ 464,193,000	7 <sup>3</sup> / <sub>4</sub> % Notes due 2012	\$ 1,000	\$ 30.00

A holder with approximately 24% of the aggregate principal amount of old notes has indicated its intent to exchange its old notes in the exchange offer, subject to the terms and conditions of the exchange offer.

The early participation payment will be paid, as applicable, and the new notes will be issued in exchange for the old notes in the exchange offer, if consummated, on the second business day following the expiration date of the exchange offer or as soon as practicable thereafter, which date we refer to as the settlement date. We currently expect the settlement date to be June 12, 2007.

Outstanding old notes may be exchanged only in minimum denominations of \$1,000 and integral multiples of \$1,000 in excess thereof. New notes will be issued only in minimum denominations of \$1,000 and integral multiples of \$1,000 in excess thereof.

**Conditions to the Exchange Offer**

Notwithstanding any other provisions of the exchange offer, or any extension of the exchange offer, we will not be required to distribute the early participation payments or issue new notes, and we may terminate the exchange offer or, at our option, modify, extend or otherwise amend the exchange offer, if any of the following conditions has not been satisfied or waived, prior to or concurrently with the expiration of the exchange offer, as extended:

(1) no action or proceeding has been instituted or threatened in any court or before any governmental agency and no law, rule, regulation, judgment, order or injunction has been proposed (including a proposal which is in existence as of the date of this document), enacted, entered or enforced by any court or governmental agency that in our judgment would reasonably be expected to (1) prohibit, prevent or materially impair our ability to proceed with this exchange offer, (2) materially adversely affect the business, condition (financial or otherwise), income, operations, assets, liabilities or prospects of our subsidiaries or us taken as a whole, (3) limit the deductibility of interest on or indebtedness on any debt connected to this exchange offer or that would materially increase the after-tax cost to us of this exchange offer, or (4) materially impair the contemplated benefits to us from this exchange offer;

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(2) nothing has occurred or is reasonably likely to occur affecting the business, condition (financial or otherwise), income, operations, assets, liabilities or prospects of the Company and our subsidiaries, taken as a whole, that in our judgment would reasonably be expected to (1) prohibit, prevent or delay consummation of this exchange offer, or (2) materially impair the contemplated benefits to us from this exchange offer;

(3) there shall not have occurred (a) any general suspension of or limitation on trading in securities on the New York Stock Exchange, the Toronto Stock Exchange or in the over-the-counter market (whether or not mandatory), (b) any material adverse change in the prices of the old notes, (c) a material impairment in the general trading market for debt securities, (d) a declaration of a banking moratorium or any suspension of payments in respect of banks by federal or state authorities in the United States or Canada (whether or not mandatory), (e) a commencement or escalation of a war, armed hostilities or other national or international crisis directly or indirectly relating to the United States or Canada, (f) any limitation (whether or not mandatory) by any governmental authority on, or other event having a reasonable likelihood of affecting, the extension of credit by banks or other lending institutions in the United States or Canada, (g) any material adverse change in securities or financial markets in the United States or Canada generally, or (h) in the case of any of the foregoing existing at the time of the commencement of the exchange offer, a material acceleration or worsening thereof; and

(4) neither of the trustees with respect to the indenture for the old notes shall have objected in any respect to, or taken any action that could, in our reasonable judgment, adversely affect the consummation of, the exchange offer, the exchange of new notes for old notes or the payment of the early consent payment under the exchange offer nor shall a trustee have taken any action that challenges the validity or effectiveness of the procedures used by us in making the exchange offer or the exchange of the old notes under the exchange offer.

The foregoing conditions are for our sole benefit and may be waived by us in whole or in part at our absolute discretion. Any determination made by us concerning an event, development or circumstance described or referred to above shall be conclusive and binding.

If any of the foregoing conditions are not satisfied with respect to the old notes, we may, at any time before or concurrently with the expiration date for the exchange offer:

(1) terminate the exchange offer and return all tendered old notes to the holders thereof;

(2) modify, extend or otherwise amend the exchange offer and retain all tendered old notes until the expiration date, as extended, of the exchange offer, subject, however, to the withdrawal rights of holders (see [Withdrawal of Tenders](#) and [Expiration Date; Extensions; Amendments; Termination](#) ); or

(3) waive the unsatisfied conditions with respect to the exchange offer and accept all old notes tendered and not previously withdrawn.

We reserve the right, in our absolute discretion, to purchase or make offers to purchase any old notes that remain outstanding subsequent to the expiration date of the exchange offer and, to the extent permitted by applicable law, purchase old notes in the open market, in privately negotiated transactions or otherwise. The terms of any such purchases or offers could differ from the terms of the exchange offer. Any purchase or offer to purchase will not be made except in accordance with applicable law.

**Expiration Date; Extensions; Amendments; Termination**

For purposes of the exchange offer, the term [expiration date](#) means 9:00 a.m., New York City time, on June 8, 2007, subject to our right to extend such date and time for the exchange offer in our absolute discretion, in which case the

expiration date means, with respect to any extended exchange offer, the latest date and time to which the exchange offer is extended.

We reserve the right, in our absolute discretion, to (i) extend the exchange offer, (ii) terminate the exchange offer, or (iii) amend the exchange offer, by giving oral or written notice of such delay, extension, termination or amendment to the exchange agent. If the exchange offer is amended, we will extend the exchange offer for the period of time required by law, if any.

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We will promptly announce any extension, amendment or termination of the exchange offer by issuing a press release to the Dow Jones News Service. We will announce any extension of the expiration date no later than 9:00 a.m., New York City time, on the first business day after the previously scheduled expiration date. We have no other obligation to publish, advertise or otherwise communicate any information about any extension, amendment or termination.

## **Effect of Tender**

Any tender by a holder (and our subsequent acceptance of such tender) of old notes will constitute a binding agreement between that holder and us upon the terms and subject to the conditions of the exchange offer described herein and in the letter of transmittal. The acceptance of the exchange offer by a tendering holder of old notes will constitute the agreement by that holder to deliver good and marketable title to the tendered old notes, free and clear of any and all liens, restrictions, charges, pledges, security interests, encumbrances or rights of any kind of third parties.

## **Letter of Transmittal; Representations, Warranties and Covenants of Holders of Old Notes**

Upon the submission of the letter of transmittal, or agreement to the terms of the letter of transmittal pursuant to an agent's message, a holder, or the beneficial holder on behalf of which the holder has tendered, will, subject to the terms and conditions of the exchange offer, be deemed, among other things, to:

- (1) irrevocably sell, assign and transfer to or upon our order or the order of our nominee, all right, title and interest in and to, and any and all claims in respect of or arising or having arisen as a result of such holder's status as a holder of, all old notes tendered thereby, such that thereafter it shall have no contractual or other rights or claims in law or equity against us or any fiduciary, trustee, fiscal agent or other person connected with the old notes arising under, from or in connection with such old notes;
- (2) waive any and all rights with respect to the old notes tendered thereby (including, without limitation, any existing or past defaults and their consequences in respect of such old notes); and
- (3) release and discharge us and the trustees from any and all claims such holder may have, now or in the future, arising out of or related to the old notes tendered thereby, including, without limitation, any claims that such holder is entitled to receive additional principal or interest payments with respect to the old notes tendered thereby (other than as expressly provided in this prospectus supplement and in the letter of transmittal) or to participate in any redemption or defeasance of the old notes tendered thereby.

In addition, such holder of old notes will be deemed to represent, warrant and agree that:

- (1) it has received and reviewed this prospectus;
- (2) it is the beneficial owner (as defined below) of, or a duly authorized representative of one or more such beneficial owners of, the old notes tendered thereby and it has full power and authority to execute the letter of transmittal;
- (3) the old notes being tendered thereby were owned as of the date of tender, free and clear of any liens, charges, claims, encumbrances, interests and restrictions of any kind, and acknowledges that we will acquire good, indefeasible and unencumbered title to such old notes, free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind, when we accept the same;
- (4) it (and any beneficial owner(s) on whose behalf it is acting) will not sell, pledge, hypothecate or otherwise encumber or transfer any old notes tendered thereby from the date of the letter of transmittal and agrees that any purported sale, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;

(5) in evaluating the exchange offer and in making its decision whether to participate therein by submitting a letter of transmittal and tendering its old notes, such holder (and any beneficial owner(s) on whose behalf it is acting) has made its own independent appraisal of the matters referred to herein and in any related communications and is not relying on any statement, representation or warranty, express or implied, made to

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such holder by us, the information agent, the exchange agent or the dealer managers or any other party other than those contained in this prospectus (as supplemented to the expiration date);

(6) the execution and delivery of the letter of transmittal shall constitute an undertaking to execute any further documents and give any further assurances that may be required in connection with any of the foregoing, in each case on and subject to the terms and conditions set out or referred to in this prospectus supplement;

(7) the submission of the letter of transmittal to the exchange agent shall, subject to the terms and conditions of the exchange offer, constitute the irrevocable appointment of the exchange agent as the holder's attorney and agent, and an irrevocable instruction to such attorney and agent to complete and execute all or any form(s) of transfer and other document(s) at the discretion of such attorney and agent in relation to the old notes tendered thereby in favor of us or such other person or persons as we may direct and to deliver such form(s) of transfer and other document(s) in the attorney's and agent's discretion and/or the certificate(s) and other document(s) of title relating to such old notes registration and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance of the exchange offer, and to vest in us or our nominees such old notes; and

(8) that the terms and conditions of the exchange offer shall be deemed to be incorporated in, and form a part of, the letter of transmittal which shall be read and construed accordingly.

The representations, warranties and agreements of a holder tendering old notes shall be deemed to be repeated and reconfirmed on and as of the expiration date and the settlement date. For purposes of this prospectus, the beneficial owner of any old notes shall mean any holder that exercises sole investment discretion with respect to such old notes.

## **Absence of Dissenters' Rights**

Holders of the old notes do not have any appraisal or dissenters' rights in connection with the exchange offer under the laws of the State of New York, which govern the indenture and the old notes.

## **Acceptance of Old Notes for Exchange; Delivery New Notes and Early Participation Payment**

On the settlement date, new notes to be issued in partial exchange for old notes in the exchange offer, if consummated, will be delivered in book-entry form and payment of the early participation payment, as applicable, and accrued and unpaid interest in U.S. dollars will be made by deposit of funds with DTC, which will transmit such payments to tendering holders.

We will be deemed to have accepted validly tendered old notes that have not been validly withdrawn as provided in this prospectus when, and if, we have given oral or written notice thereof to the exchange agent. Subject to the terms and conditions of the exchange offer, delivery of the early participation payment, as applicable, and new notes through the settlement date will be made by the exchange agent on the settlement date upon receipt of such notice. The exchange agent will act as agent for tendering holders of the old notes for the purpose of receiving old notes and transmitting cash and new notes as of the settlement date. If any tendered old notes are not accepted for any reason set forth in the terms and conditions of the exchange offer, such unaccepted old notes will be returned without expense to the tendering holder as promptly as practicable after the expiration or termination of the exchange offer.

## **Procedures for Tendering**

A holder of old notes who wishes to accept the exchange offer, and whose old notes are held by a custodial entity such as a bank, broker, dealer, trust company or other nominee, must instruct this custodial entity to tender with respect to

such holder's old notes on the holder's behalf pursuant to the procedures of the custodial entity.

To tender in the exchange offer, a holder of old notes must either (i) complete, sign and date the letter of transmittal (or a facsimile thereof) in accordance with its instructions (including guaranteeing the signature(s) to the

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letter of transmittal, if required), and mail or otherwise deliver such letter of transmittal or such facsimile, together with the certificates representing the old notes specified therein, to the exchange agent at the address set forth in the letter of transmittal for receipt on or prior to the expiration date, or (ii) comply with the ATOP procedures for book-entry transfer described below on or prior to the expiration date.

The exchange agent and DTC have confirmed that the exchange offer is eligible for ATOP. The letter of transmittal (or facsimile thereof), with any required signature guarantees, or (in the case of book-entry transfer) an agent's message in lieu of the letter of transmittal, and any other required documents, must be transmitted to and received by the exchange agent on or prior to the expiration date of the exchange offer at one of its addresses set forth on the back cover page of this prospectus. Old notes will not be deemed surrendered until the letter of transmittal and signature guarantees, if any, or agent's message, are received by the exchange agent.

The method of delivery of old notes, the letter of transmittal, and all other required documents to the exchange agent is at the election and risk of the holder. Instead of delivery by mail, holders should use an overnight or hand delivery service, properly insured. In all cases, sufficient time should be allowed to assure delivery to and receipt by the exchange agent on or before the expiration date. Do not send the letter of transmittal or any old notes to anyone other than the exchange agent.

All new notes will be delivered only in book-entry form through DTC. Accordingly, if you anticipate tendering other than through DTC, you are urged to contact promptly a bank, broker or other intermediary (that has the capability to hold securities custodially through DTC) to arrange for receipt of any new notes to be delivered to you pursuant to the exchange offer and to obtain the information necessary to provide the required DTC participant with account information for the letter of transmittal.

### **Book-Entry Delivery Procedures for Tendering Old Notes Held with DTC**

If you wish to tender old notes held on your behalf by a nominee with DTC, you must (i) inform your nominee of your interest in tendering your old notes pursuant to the exchange offer, and (ii) instruct your nominee to tender all old notes you wish to be tendered in the exchange offer into the exchange agent's account at DTC on or prior to the expiration date. Any financial institution that is a nominee in DTC, including Euroclear and Clearstream, must tender old notes by effecting a book-entry transfer of the old notes to be tendered in the exchange offer into the account of the exchange agent at DTC by electronically transmitting its acceptance of the exchange offer through the ATOP procedures for transfer. DTC will then verify the acceptance, execute a book-entry delivery to the exchange agent's account at DTC, and send an agent's message to the exchange agent. An agent's message is a message, transmitted by DTC to and received by the exchange agent and forming part of a book-entry confirmation, which states that DTC has received an express acknowledgement from an organization that participates in DTC (a participant) tendering old notes that the participant has received and agrees to be bound by the terms of the letter of transmittal and that we may enforce the agreement against the participant. A letter of transmittal need not accompany tenders effected through ATOP.

### **Proper Execution and Delivery of Letter of Transmittal**

Signatures on a letter of transmittal or notice of withdrawal described below (see [Withdrawal of Tenders](#)), as the case may be, must be guaranteed by an eligible institution unless the old notes tendered pursuant to the letter of transmittal are tendered (i) by a holder who has not completed the box entitled [Special Return Instructions](#) or [Special Issuance/Delivery Instructions](#) on the letter of transmittal or (ii) for the account of an eligible institution. If signatures on a letter of transmittal, or notice of withdrawal are required to be guaranteed, such guarantee must be made by an eligible institution.

If the letter of transmittal is signed by the holder(s) of old notes tendered thereby, the signature(s) must correspond with the name(s) as written on the face of the old notes without alteration, enlargement or any change whatsoever. If any of the old notes tendered thereby are held by two or more holders, all such holders must sign the letter of transmittal. If any of the old notes tendered thereby are registered in different names on different old notes, it will be necessary to complete, sign and submit as many separate letters of transmittal, and any accompanying documents, as there are different registrations of certificates.

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If old notes that are not tendered for exchange pursuant to the exchange offer are to be returned to a person other than the holder thereof, certificates for such old notes must be endorsed or accompanied by an appropriate instrument of transfer, signed exactly as the name of the registered owner appears on the certificates, with the signatures on the certificates or instruments of transfer guaranteed by an eligible institution.

If the letter of transmittal is signed by a person other than the holder of any old notes listed therein, such old notes must be properly endorsed or accompanied by a properly completed bond power, signed by such holder exactly as such holder's name appears on such old notes. If the letter of transmittal or any old notes, bond powers or other instruments of transfer are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by us, evidence satisfactory to us of their authority to so act must be submitted with the letter of transmittal.

No alternative, conditional, irregular or contingent tenders will be accepted. By executing the letter of transmittal (or facsimile thereof), the tendering holders of old notes waive any right to receive any notice of the acceptance for exchange of their old notes. Tendering holders should indicate in the applicable box in the letter of transmittal the name and address to which payments and/or substitute certificates evidencing old notes for amounts not tendered or not exchanged are to be issued or sent, if different from the name and address of the person signing the letter of transmittal. If no such instructions are given, old notes not tendered or exchanged will be returned to such tendering holder.

All questions as to the validity, form, eligibility (including time of receipt), and acceptance and withdrawal of tendered old notes will be determined by us in our absolute discretion, which determination will be final and binding. We reserve the absolute right to reject any and all tendered old notes determined by us not to be in proper form or not to be properly tendered or any tendered old notes our acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right to waive, in our absolute discretion, any defects, irregularities or conditions of tender as to particular old notes, whether or not waived in the case of other old notes. Our interpretation of the terms and conditions of the exchange offer (including the instructions in the letter of transmittal) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of old notes must be cured within such time as we shall determine. Although we intend to notify the holders of old notes of defects or irregularities with respect to tenders of their old notes, neither we, the exchange agent, the information agent, the dealer managers nor any other person will be under any duty to give such notification or shall incur any liability for failure to give any such notification. Tenders of old notes will not be deemed to have been made until such defects or irregularities have been cured or waived.

## **Mutilated, Lost, Stolen or Destroyed Notes**

Any holder whose old notes have been mutilated, lost, stolen or destroyed will be responsible for obtaining replacement securities or for arranging for indemnification with the trustee of the old notes. Holders may contact the information agent for assistance with such matters.

## **Withdrawal of Tenders**

Tenders of old notes may be withdrawn in writing at any time prior to midnight, New York City time, on May 23, 2007. We refer to this time limit as the withdrawal deadline. Tenders of old notes may not be withdrawn after the withdrawal deadline unless we are required by law to permit withdrawal.

For withdrawal of a tender to be effective, a written or facsimile transmission notice of withdrawal must be received by the exchange agent prior to the withdrawal deadline at one of its addresses set forth on the back cover page of this

prospectus. The withdrawal notice must specify the name of the person who tendered the old notes to be withdrawn; must contain a description of the old notes to be withdrawn, the certificate numbers shown on the particular certificates evidencing such old notes and the aggregate principal amount of old notes subject to such withdrawal; and must be signed by the holder of such old notes in the same manner as the original signature of the letter of transmittal (including any required signature guarantees) or be accompanied by evidence satisfactory to us that the person withdrawing the tender has succeeded to the beneficial ownership of the old notes. In addition, the notice of withdrawal must specify, in the case of old notes tendered by book-entry transfer, the name and number of the

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account at DTC to be credited with the withdrawn notes. The signature on the notice of withdrawal must be guaranteed by an eligible institution unless the old notes have been tendered for the account of an eligible institution.

Withdrawal of tenders of old notes may not be rescinded, and any old notes properly withdrawn will thereafter be deemed not validly tendered for purposes of the exchange offer. Properly withdrawn old notes may, however, be re-tendered by repeating one of the procedures described in Procedures for Tendering prior to the expiration date.

## **Exchange Agent**

D.F. King & Co., Inc. has been appointed the exchange agent for the exchange offer. Letters of transmittal and all correspondence in connection with the exchange offer should be sent or delivered by each holder of old notes, or a beneficial owner's commercial bank, broker, dealer, trust company or other nominee, to the exchange agent at the addresses and telephone numbers set forth on the back cover page of this prospectus. We will pay the exchange agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses in connection therewith.

## **Information Agent**

D.F. King & Co., Inc. has been appointed as the information agent for the exchange offer and will receive customary compensation for its services. Questions concerning tender procedures and requests for additional copies of this prospectus or the letter of transmittal should be directed to the information agent at the address and telephone numbers set forth on the back cover page of this prospectus. Holders of old notes may also contact their commercial bank, broker, dealer, trust company or other nominee for assistance concerning the exchange offer.

## **Dealer Managers**

We have retained Merrill Lynch, Pierce, Fenner & Smith Incorporated, BMO Capital Markets Corp. and Ferris, Baker Watts, Incorporated to act as dealer managers in connection with the exchange offer. Any solicitation to be made to a resident of Canada will be made through Merrill Lynch Canada Inc. and BMO Nesbitt Burns Inc., Canadian affiliates of the dealer managers. We will pay a fee to the dealer managers for soliciting acceptances of the exchange offer. Such fee is based on the aggregate principal amount of the old notes exchanged in the exchange offer and will be payable on the date the new notes are issued in the exchange offer. We will also reimburse the dealer managers for their reasonable out-of-pocket expenses. The obligations of the dealer managers to perform such function are subject to certain conditions. We have agreed to indemnify the dealer managers against certain liabilities, including certain liabilities under the federal securities laws of the United States and the provincial securities laws of Canada. Questions regarding the terms of the exchange offer may be directed to the dealer managers at the addresses and telephone numbers set forth on the back cover page of this prospectus.

At any given time, each dealer manager may trade the new notes and other of our securities for its own accounts, or for the accounts of its customers, and accordingly, may hold a long or short position in the new notes or those securities. The dealer managers are not obligated to make a market in the new notes.

The dealer managers, and their affiliates, have provided, from time to time, and may continue to provide, commercial banking, investment banking, financial and other services to us for which we have paid, and intend to pay, customary fees.

## **Other Fees and Expenses**

We will bear the expenses of soliciting tenders of the old notes. The principal solicitation is being made by mail; additional solicitations may, however, be made by telegraph, facsimile transmission, telephone or in person by the dealer managers and the information agent, as well as by our officers and other employees and those of our affiliates.

Tendering holders of old notes will not be required to pay any fee or commission to the dealer managers. If, however, a tendering holder handles the transaction through its broker, dealer, commercial bank, trust company or other institution, such holder may be required to pay brokerage fees or commissions.

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**Retail Processing Fee**

We will pay to retail brokers a retail processing fee of \$2.50 per \$1,000 of old notes tendered and accepted for exchange in the exchange offer. As used herein, a retail broker is an entity covered by a letter of transmittal which names the broker as having processed the tender from a holder, and is:

any broker or dealer in securities, which is a member of any national securities exchange or of the National Association of Securities Dealers, Inc., referred to as NASD ;

any foreign broker or dealer not eligible for membership in the NASD which agrees to conform to the NASD's Rules of Fair Practice in soliciting tenders outside the United States to the same extent as though it were an NASD member; or

any bank or trust company.

No fee shall be payable to a retail broker:

unless a properly completed Processing Fee Payment Request Form has been received by the Exchange Agent no later than two business days after the Expiration Date;

to the extent old notes tendered due to processing by that broker are not validly tendered or otherwise are not accepted in the exchange offer;

with respect to the tender of old notes by a holder as to which a retail broker fee has already been paid;

with respect to the tender of old notes by a beneficial holder of more than \$500,000 in principal amount of old notes;

in respect of old notes registered in the name of that retail broker unless the old notes are held by that retail broker as nominee and the old notes are being tendered for the benefit of one or more beneficial owners identified on the letter of transmittal;

if the retail broker is required for any reason to transfer the amount of the fee to a tendering holder other than itself; or

with respect to old notes tendered for that retail broker's own account.

Retail brokers should take care to ensure proper record-keeping to document their entitlement to any processing fee. We and the exchange agent reserve the right to require additional information, as deemed warranted in our sole discretion.

No broker, dealer, bank, trust company or fiduciary shall be deemed to be the agent of us, DTC, any of the dealer managers or the information agent for purposes of the exchange offer.

We will also, upon request, reimburse retail brokers for reasonable and customary handling and mailing expenses incurred by them in forwarding materials relating to the exchange offer to their customers.

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**DESCRIPTION OF THE NEW NOTES**

*As used under this heading Description of the New Notes , the terms Fairfax , Company , we , us and our refer only to Fairfax Financial Holdings Limited, and not its subsidiaries.*

The new notes will bear interest from the date of issuance at the rate of 73/4% per annum, and will mature on June 15, 2022. Interest will be payable semi-annually on June 15 and December 15, commencing December 15, 2007 to the persons in whose names the new notes are registered at the close of business on the preceding June 1 and December 1, respectively. The new notes will be governed by the same indenture, and will have the same covenants, as the old notes.

Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of and interest on the new notes will be payable in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts. The new notes will not be redeemable at the option of the holder prior to maturity and will not be subject to any sinking fund.

The new notes will be issued under an indenture, dated as of December 1, 1993, among us, The Bank of New York, as the successor U.S. trustee and the CIBC Mellon Trust Company, as the successor Canadian trustee. The U.S. trustee and the Canadian trustee are referred to together in this prospectus supplement as the trustees. The following summary of certain provisions of the indenture does not purport to be complete and is subject to, and qualified in its entirety by reference to, all of the provisions of the indenture. Whenever reference is made to particular sections of the indenture or terms that are defined therein, such sections or defined terms are incorporated herein by reference as a part of such summaries, which are qualified in their entirety by such reference. The indenture is subject to the provisions of the *Canada Business Corporations Act* and, consequently, is exempt from certain provisions of the Trust Indenture Act of 1939, as amended, by virtue of Rule 4d-9 thereunder. References to accounting terms in the indenture and in this summary, unless otherwise defined, have the meanings assigned to them in accordance with Canadian GAAP.

The indenture provides that, in addition to the new notes offered hereby, securities of other series may be issued under the indenture without limitation as to aggregate principal amount. The securities of other series may have such terms and provisions not inconsistent with the indenture as we may determine from time to time. The securities of any series issued under the indenture, including the new notes, are referred to as securities .

**General**

The new notes will be direct, unsecured obligations of us and will rank equally and ratably with all of our other unsecured and unsubordinated indebtedness. The new notes will rank among themselves equally and ratably without preference or priority. The indenture permits us from time to time, without notice to or the consent of the holders of any series of securities issued under the indenture, to create and issue further notes of a series ranking pari passu with the new notes in all respects (or in all respects except for the payment of interest accruing prior to the issue date of such further notes or except for the first payment of interest following the issue date of such further notes) and so that such further notes shall be consolidated and form a single series with, and shall have the same terms as to status, redemption or otherwise as, the new notes offered under this prospectus.

The new notes will be issued in denominations of \$1,000 and integral multiples thereof.

The provisions of the indenture do not contain any provisions that would limit our ability to incur indebtedness or that would afford holders of new notes protection in the event of a highly leveraged or similar transaction involving us.



**Table of Contents****Redemption*****Optional Redemption***

After June 15, 2012, we may redeem the new notes at our option, in whole or in part, upon not less than 30 nor more than 60 days' notice, at the following redemption prices (expressed as percentages of the principal amount thereof) if redeemed during the twelve-month period commencing on June 15 of the year set forth below:

<b>Year</b>	<b>Percentage</b>
2012	103.875%
2013	102.583%
2014	101.292%
2015 and thereafter	100.000%

In addition, the Company must pay accrued and unpaid interest to the date of redemption on the new notes redeemed.

***Selection and Notice of Redemption***

In the event that we choose to redeem less than all of the new notes, selection of the new notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which the new notes are listed; or, if the new notes are not so listed, on a *pro rata* basis, by lot or by such method as the Trustee shall deem fair and appropriate.

No new notes of a principal amount of \$1,000 or less shall be redeemed in part. Notice of redemption will be mailed by first-class mail at least 30 but not more than 60 days before the redemption date to each holder of new notes to be redeemed at its registered address. If any new note is to be redeemed in part only, the notice of redemption that relates to such new note shall state the portion of the principal amount thereof to be redeemed. A new note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original new note. On and after the redemption date, interest will cease to accrue on new notes or portions thereof called for redemption as long as we have deposited with the paying agent funds in satisfaction of the applicable redemption price.

**Certain Covenants**

***Limitation on Liens on Capital Stock of Restricted Subsidiaries.*** The indenture provides that we may not, and may not permit any subsidiary to, create, assume, incur or suffer to exist any lien, other than a purchase money lien, upon any capital stock, whether owned on the date of the indenture or thereafter acquired, of any restricted subsidiary, to secure any obligation (other than the securities) of us, any subsidiary or any other person, without in any such case making effective provision whereby all of the outstanding securities shall be directly secured equally and ratably with such obligation; *provided, however*, that this restriction will not apply to (i) liens on the capital stock of any restricted subsidiary securing obligations outstanding from time to time under any bank credit facility, provided that the principal amount of all such obligations secured by liens on the capital stock of any restricted subsidiary, at the time of each incurrence of any portion of any such obligation, does not exceed 15% of the sum of (A) our consolidated shareholders' equity at the end of our most recently completed fiscal quarter immediately preceding such incurrence for which financial statements are or are required to be available and (B) the aggregate principal amount of all obligations which are outstanding under any bank credit facility immediately after giving effect to such incurrence and which are secured by liens on the capital stock of a restricted subsidiary, and (ii) liens securing obligations from us to

any wholly-owned restricted subsidiary or from any wholly-owned restricted subsidiary to us or any other wholly-owned restricted subsidiary. This provision will not restrict any of our other property or that of our subsidiaries.

The indenture defines **lien** as any mortgage, pledge, hypothecation, lien, encumbrance, charge or security interest of any kind; **obligation** as indebtedness for money borrowed or indebtedness evidenced by a bond, note, debenture or other evidence of indebtedness; **purchase money lien** as (i) any mortgage, pledge, hypothecation, lien, encumbrance, charge or security interest of any kind upon any capital stock of any restricted subsidiary

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acquired after the date of the indenture if such purchase money lien is for the purpose of financing, and does not exceed, the cost to us or any subsidiary of acquiring the capital stock of such restricted subsidiary and such financing is effected concurrently with, or within six months after, the date of such acquisition, and (ii) any extension, renewal or refinancing of any purchase money lien so long as the principal amount of obligations secured thereby shall not exceed the original principal amount of obligations so secured at the time of such extension, renewal or refinancing; restricted subsidiary as any subsidiary that is a licensed insurance company, other than any licensed insurance company that our board of directors, in good faith, determines is not, individually or together with any other licensed insurance company as to which a similar determination has been made, material to the business of the Company and its subsidiaries, considered as a whole; and subsidiary as a corporation or business trust, a majority of the outstanding voting stock of which is owned, directly or indirectly, by us or one or more other subsidiaries, or by us and one or more other subsidiaries. As of the date hereof, each of our licensed insurance company subsidiaries is a restricted subsidiary.

*Waiver of Certain Covenants.* We may omit in any particular instance to comply with any term, provision or condition of the covenants described above if the holders of at least a majority of all securities issued under the indenture and then outstanding waive compliance in such instance with such term, provision or condition.

*Amalgamation, Consolidation, Merger, Conveyance, Transfer or Lease.* The indenture provides that we may not amalgamate or consolidate with or merge into any other corporation or convey, transfer or lease our properties and assets substantially as an entirety to any other person, unless, (i) the corporation formed by such consolidation or amalgamation or into which we are merged or the person which shall have acquired or leased such properties or assets shall be a corporation, partnership or trust organized and validly existing under the laws of Canada or any province thereof or the United States, any state thereof or the District of Columbia and shall expressly assume our obligation for the due and punctual payment of the principal of (and premium, if any, on) and interest on all the outstanding securities issued under the indenture and the performance and observance of every covenant of the indenture on our part to be performed or observed, (ii) immediately after giving effect to such transaction, no event of default or event that after notice or passage of time or both would be an event of default shall have occurred and be continuing and (iii) certain other conditions are met.

## **Events of Default**

The following constitute events of default with respect to the new notes under the indenture: (a) a default for 30 days in the payment of any interest on any new note; (b) a default in the payment of the principal of any new note when due; (c) a default in the performance, or breach, of any other covenant or warranty in the indenture (other than a covenant or warranty included in the indenture solely for the benefit of one or more series of securities other than the new notes) which default or breach continues for a period of 60 days after notice; (d) a default in the payment, at the stated maturity, of any indebtedness for money borrowed by us in excess of \$10,000,000, or the acceleration of indebtedness for money borrowed by us in excess of \$10,000,000, if such indebtedness has not been discharged, or such acceleration has not been rescinded or annulled, within 10 days after written notice has been given by either trustee, or the holders of at least 25% in principal amount of the outstanding securities, as provided in the indenture; and (e) certain events of bankruptcy, insolvency or reorganization.

If an event of default relating to a default in payment of principal of (or premium, if any, on) or interest on any series of securities issued under the indenture, or to a default in the performance, or breach, of any other covenant or warranty of us applicable to the securities of such series but not applicable to all outstanding securities issued under the indenture, or to a default in the payment, at stated maturity, of, or to the acceleration of, any indebtedness for money borrowed shall have occurred and be continuing, either trustee or the holders of not less than 25% in principal amount of securities of that series then outstanding may then declare the principal of all securities of that series to be due and payable immediately. If an event of default relating to a default in the performance, or breach, of any other

covenant or warranty in the indenture applicable to all securities issued thereunder and then outstanding shall have occurred and be continuing, either trustee or the holders of not less than 25% in principal amount of all securities issued under the indenture and then outstanding (treated as one class) may declare the principal amount of all the securities then outstanding to be due and payable immediately. If an event of default described in clause (e) above shall occur, other than with respect to one of our subsidiaries, the principal amount of all the securities will automatically, and without any action by either trustee or any holder, become immediately due and payable. In each

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case, the holders of a majority in principal amount of the outstanding securities of that series or all series, as the case may be, may under certain circumstances rescind and annul such declaration by written notice to us and the trustees. In the event of a declaration of acceleration because an event of default specified in clause (d) above has occurred and is continuing, such declaration of acceleration shall be automatically annulled if the indebtedness which is the subject of such event of default has been discharged or the holders thereof have rescinded their declaration of acceleration in respect of such indebtedness, and written notice of such discharge or rescission is given to either trustee by us and countersigned by the holders of such indebtedness or their representative, within 30 days after such declaration of acceleration in respect of the new notes, and no other event of default has occurred during such 30-day period which has not been cured or waived during such period.

The holders of not less than a majority in principal amount of the outstanding securities of the applicable series, in the case of an event of default applicable to such series but not to all outstanding securities, or a majority in principal amount of the outstanding securities of all series, in the case of an event of default applicable to all outstanding securities, may waive any past default and its consequences, except a default in respect of the payment of the principal of (or premium, if any, on) or interest on any security or in respect of a covenant or provision of the indenture which cannot be modified or amended without the consent of the holder of each outstanding security affected thereby.

The indenture provides that the trustees shall be under no obligation to exercise any of the rights or powers vested in them by the indenture at the request or direction of holders of securities unless such holders shall have offered to the trustees reasonable funding, security and indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. Subject to such provisions for the indemnification of the trustees, the holders of not less than a majority in principal amount of the securities of any series (with respect to any remedy, trust or power relating to any default in payment of principal (or premium, if any, on) or interest on the securities of such series or any default in the performance or breach of any other covenant or warranty of us applicable to the securities of such series but not applicable to all outstanding securities issued under the indenture) or the holders of not less than a majority in principal amount of all securities issued under the indenture and then outstanding (treated as one class) (with respect to any other remedy, trust or power) shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustees, or exercising any trust or power conferred on the trustees, with respect to such securities.

## **Discharge, Defeasance and Covenant Defeasance**

We may discharge certain obligations to holders of new notes which have not already been delivered to the trustees for cancellation and which have either become due and payable or are by their terms due and payable within one year by irrevocably depositing with one of the trustees trust funds in an amount sufficient to pay at maturity the principal of and interest on the new notes.

We may, at our option, and at any time, elect to have our obligations discharged with respect to all outstanding notes. This is referred to as *defeasance*. Such defeasance means that we shall be deemed to have paid and discharged the entire indebtedness represented by the outstanding notes and to have satisfied our other obligations with respect to the new notes under the indenture, except for (i) the rights of the holders of outstanding new notes to receive, solely from the trust fund described below, payments in respect of the principal of and interest on such new notes when such payments are due, (ii) our obligations with respect to the new notes relating to the issuance of temporary new notes, the registration, transfer and exchange of new notes, the replacement of mutilated, destroyed, lost or stolen new notes, the maintenance of an office or agency in The City of New York, the holding of money for security payments in trust and statements as to compliance with the indenture, (iii) our obligations in connection with the rights, powers, trusts, duties and immunities of the trustees and (iv) the defeasance provisions of the indenture. In addition, we may, at our option and at any time, elect to be released from our obligations with respect to certain of our covenants under the indenture (including those described under *Limitation on Liens on Capital Stock of Restricted Subsidiaries*), referred



to as covenant defeasance , and any omission to comply with such obligations shall not constitute a default or an event of default with respect to the new notes.

In order to exercise either defeasance or covenant defeasance with respect to the new notes, (i) we must irrevocably deposit with one of the trustees, in trust, for the benefit of the holders of the new notes, cash in U.S.

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dollars, certain United States government obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of and interest on the outstanding new notes on the stated maturity of such principal or installment of interest; (ii) in the case of defeasance, we shall have delivered to the trustees an opinion of counsel in the United States stating that (x) we have received from, or there has been published by, the Internal Revenue Service a ruling or (y) since the date of this prospectus supplement, there has been a change in the applicable United States federal income tax law, in either case to the effect that, and based thereon such opinion of counsel shall confirm that, the holders of the outstanding new notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred; (iii) in the case of covenant defeasance, we shall have delivered to the trustees an opinion of counsel in the United States to the effect that the holders of the outstanding new notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such covenant defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred; (iv) in the case of defeasance or covenant defeasance, we shall have delivered to the trustees an opinion of counsel in Canada to the effect that holders of the outstanding new notes will not recognize income, gain or loss for Canadian federal or provincial income tax or other tax purposes as a result of such defeasance or covenant defeasance, as applicable, and will be subject to Canadian federal or provincial income tax and other tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance, as applicable, had not occurred (which condition may not be waived by any holder of new notes or the trustees); and (v) we must comply with certain other conditions.

## **Modification**

The indenture provides that we and the trustees may enter into supplemental indentures without the consent of the holders of the new notes or the holders of the securities of any other series to: (a) evidence the succession of another person to us and the obligations assumed by such successor under the indenture; (b) add to our covenants for the benefit of the holders of the securities of any series or surrender any right or power conferred upon us by the indenture; (c) add events of default for the benefit of the holders of the securities of any series; (d) add to or change any provisions of the indenture to facilitate the issuance of securities of any series in bearer form; (e) change or eliminate any provisions of the indenture, provided that any such change or elimination shall become effective only when there is no security issued under the indenture then outstanding of any series created prior thereto which is entitled to the benefit of such provision; (f) secure any series of securities; (g) establish the form and terms of any series of securities; (h) evidence the acceptance of appointment by a successor trustee under the indenture and provide for or facilitate the administration of one or more trusts under the indenture by one or more trustees; (i) close the indenture with respect to the authentication and delivery of additional series of securities or cure any ambiguity, correct or supplement any inconsistency or make any other provision with respect to matters or questions arising under the indenture, provided that such action does not adversely affect the interests of the holders of securities of any series in any material respect and (j) supplement any of the provisions of the indenture to the extent necessary to permit or facilitate the defeasance or discharge of any series of securities, provided such action does not adversely affect the interests of the holders of securities of any series in any material respect.

The indenture also contains provisions permitting us and the trustees, with the consent of the holders of not less than a majority in principal amount of all securities issued under the indenture then outstanding and affected (treated as one class), to add any provisions to, change in any manner or eliminate any of the provisions of, the indenture or modify in any manner the rights of the holders of securities under the indenture; provided that we and the trustees may not, without the consent of the holder of each outstanding security affected thereby, among other things: (a) change the stated maturity of the principal of or any installment of interest on any security, (b) reduce the principal amount of or the rate of interest on, or premium payable upon the redemption of, any such security, (c) reduce the amount of the

principal of an original issue discount security that would be due and payable upon a declaration of acceleration of the maturity thereof, (d) adversely affect any right of repayment at the option of the holder of any security, (e) change the place or currency of payment of principal of, or any premium or interest on, any such security, (f) impair the right to institute suit for the enforcement of any such payment on any security when due, (g) reduce the percentage in principal amount of securities of any series whose consent is necessary to modify

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or amend the indenture or to waive compliance with certain provisions of the indenture or certain defaults and their consequences or (h) modify the foregoing requirements.

### **Book-Entry; Delivery and Form**

The following description of the operations of DTC is provided solely as a matter of convenience. These operations and procedures are solely within the control of DTC and are subject to changes by it. We take no responsibility for these operations and procedures and urge you to contact DTC or its participants directly to discuss these matters.

The new notes will be issued in fully registered form without interest coupons. The new notes will be represented by one or more global notes and will be deposited with the trustee as custodian for DTC and registered in the name of Cede & Co., as a nominee of DTC. Unless and until it is exchanged in whole for new notes in definitive registered form, a global note may not be transferred, in whole or in part, except to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or by such nominee to a successor depository or nominee of such depository.

Upon the issuance of the global notes, DTC will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such global notes to the accounts of persons who have accounts with such depository. Ownership of beneficial interests in a global note will be limited to persons who have accounts with DTC, referred to as participants, or persons who hold interests through participants. Ownership of beneficial interests in the global notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the new notes represented by such global note for all purposes under the indenture and the new notes. Except as provided below, owners of beneficial interests in the global notes:

will not be entitled to have certificates registered in their names;

will not receive or be entitled to physical delivery of certificates in definitive form; and

will not be considered holders of the global notes.

Payments of the principal of, and interest on, the global notes will be made to DTC or its nominee, as the case may be, as the registered owner thereof. Neither we, the trustee nor any paying agent will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a global note or for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants and other banks, your ability to pledge your interest in the new notes represented by global notes to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate.

It is DTC's current practice that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a global note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global note as shown on the records of DTC or its nominee. Payments by participants and indirect participants to the owners of beneficial interests in such global note held through such

participants will be governed by standing instructions and customary practices and will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers between participants in Euroclear will be effected in the ordinary way in accordance with its rules and operating procedures. DTC has advised us that it will take any action permitted to be taken by a holder of new notes (including the presentation of new notes for exchange as described below) only at the

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direction of one or more participants to whose account the DTC interests in the global notes is credited and only in respect of such portion of the aggregate principal amount of new notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the new notes, DTC will exchange the global notes for new notes in definitive registered form, referred to as *certificated notes*, which it will distribute to its participants.

DTC has advised us as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, and a clearing agency registered pursuant to Section 17A of the Exchange Act, as amended. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and certain other organizations. Certain participants or their representatives, together with other entities, own DTC. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through, or maintain a custodial relationship with, a participant, either directly or indirectly, referred to as *indirect participants*.

Although DTC and Euroclear are expected to follow the foregoing procedures in order to facilitate transfers of interest in the global note among participants of DTC and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of us, the trustees nor any of their respective agents will have any responsibility for the performance by DTC, Euroclear or the participants or indirect participants of their respective obligations under the rules and procedures governing their respective operations, including maintaining, supervising or reviewing the records relating to, or payments made on account of, beneficial ownership interests in global notes.

## **Certificated Securities**

Subject to certain conditions, any person having a beneficial interest in a global note may, upon request to us or the trustee, exchange such beneficial interest for new notes in the form of certificated notes. Upon any such issuance, the trustee is required to register such new notes in the name of, and cause the same to be delivered to, such person or persons (or the nominee of any thereof).

In addition if:

- (1) DTC or any depository notifies us in writing that it is no longer willing or able to act as a depository and we are unable to locate a qualified successor within 90 days; or
- (2) we, at our option, notify the trustee in writing that we elect to cause the issuance of new notes in the form of certificated notes under the indenture, then, upon surrender by the registered owner or holder of a global note of its global note, replacement notes in such form will be issued to each person that such global note holder and the depository identify as the beneficial owner of the related new notes.

Neither we nor the trustee will be liable for any delay by the related global note holder or the depository in identifying the beneficial owners of the related new notes, and we and the trustee may conclusively rely on, and will be protected in relying on, instructions from such global note holder or of the depository for all purposes (including with respect to the registration and delivery, and the respective principal amounts, of the new issuance of notes).

## **Enforceability of Judgments**

Since some of our assets are outside the United States, any judgment obtained in the United States against us, including any judgment with respect to the payment of principal or interest on the new notes may not be collectible within the United States.

We have been informed by our Canadian counsel, Torys LLP, that the laws of the Province of Ontario and the federal laws of Canada applicable therein permit an action to be brought in a court of competent jurisdiction in that province on any final and conclusive judgment in personam of any federal or state court located in the Borough of Manhattan, The City of New York, State of New York (a New York Court ) that is not impeachable as void or voidable under the internal laws of the State of New York for a sum certain if: (i) the court rendering such judgment

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had jurisdiction over the judgment debtor, as recognized by the courts of Ontario (and submission by us in the indenture to the jurisdiction of the New York Court will be sufficient for this purpose); (ii) such judgment was not obtained by fraud or in a manner contrary to natural justice or other rule of law, whether equitable, legal or statutory, and the enforcement thereof would not be inconsistent with public policy, as such term is understood under the laws of Ontario and the federal laws of Canada applicable therein or contrary to any order made by the Attorney General of Canada under the *Foreign Extraterritorial Measures Act* (Canada) or by the Competition Tribunal under the *Competition Act* (Canada); (iii) the enforcement of such judgment does not constitute, directly or indirectly, the enforcement of foreign revenue, expropriatory or penal laws; (iv) no new admissible evidence relevant to the action is discovered prior to the rendering of judgment by a Canadian court; and (v) the action to enforce such judgment is commenced within the applicable limitation period; except that a court in the Province of Ontario may only give judgment in Canadian dollars. In the opinion of such counsel, there are currently no reasons under the law of Ontario for avoiding recognition of said judgments of New York Courts under the indenture or on the new notes based upon public policy. We have been advised by such counsel that there is doubt as to the enforceability in Canada by a court in original actions, or in actions to enforce judgments of United States courts, of liabilities predicated solely upon United States federal securities laws.

**Consent to Jurisdiction**

The indenture provides that we will irrevocably appoint CT Corporation System, 111 Eighth Avenue, New York, New York 10011 as our authorized agent for service of process in any legal action or proceeding arising out of or relating to the indenture or the new notes for actions brought under federal or state securities laws or for actions brought by either trustee in any New York Court, and will irrevocably submit to the jurisdiction of the New York Courts for such purposes.

**Governing Law**

The indenture and the new notes will be governed by and construed in accordance with the laws of the State of New York.

**DESCRIPTION OF CERTAIN OTHER INDEBTEDNESS****Notes**

As of March 31, 2007, we had outstanding six series of senior notes, including the old notes. Our holding company notes totalled approximately \$1.0 billion aggregate principal amount as of March 31, 2007 and had the following aggregate principal amounts and maturities:

<b>Series</b>	<b>Principal Amount Outstanding (dollars in millions)</b>
Senior notes at 6.875% due April 15, 2008	\$ 62.2
Old notes	464.2
Senior notes at 8.25% due October 1, 2015	100.0
Senior notes at 7.375% due April 15, 2018	171.2
Senior notes at 8.30% due April 15, 2026	91.8
Senior notes at 7.75% due July 15, 2037	91.3



**Convertible Debentures**

On July 14, 2003 and July 23, 2003, we issued \$200.0 million aggregate principal amount of 5% convertible senior debentures, due July 15, 2023. Each \$1,000 principal amount of debentures is convertible under certain circumstances into 4.7057 subordinate voting shares (\$212.51 per share) of the Company. Prior to July 15, 2008, we may redeem the convertible debentures, effectively forcing conversion, if the share price exceeds \$293.12 for

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20 trading days in any 30-day trading period. We may redeem the convertible debentures at any time commencing July 15, 2008, and the convertible debenture holders can put their convertible debentures to us for repayment on July 15, 2008, 2013 and 2018. We have the option to repay the debentures in cash, subordinate voting shares or a combination thereof.

**EARNINGS COVERAGE RATIOS**

The following consolidated financial ratios are calculated for the twelve-month periods ended March 31, 2007 and December 31, 2006. The As Adjusted ratio for the twelve months ended March 31, 2007 gives effect as of April 1, 2006 to:

the issuance on May 7, 2007 by Crum & Forster of \$330.0 million aggregate principal amount of 7.75% notes due 2017 and the application of the net proceeds from that offering to the repurchase of \$295.7 million of Crum & Forster's 10.375% unsecured senior notes due 2013;

the repurchases on April 27, 2007 and May 4, 2007 of \$27.0 million aggregate principal amount of our 7.375% senior notes due 2018;

the repurchases on April 27, 2007 and April 30, 2007 of \$9.1 million aggregate principal amount of our 8.25% senior notes due 2015;

the conversion on May 1, 2007, by the senior debenture holders, of \$22.5 million aggregate principal amount of OdysseyRe's 4.375% senior debentures due 2022; and

this exchange offer assuming that holders of 50% of the aggregate principal amount of outstanding old notes participate in the exchange offer and that all of such holders tender their old notes prior to the early participation date.

The As Adjusted ratio for the twelve months ended December 31, 2006 gives effect as of January 1, 2006 to:

the issuance on May 7, 2007 by Crum & Forster of \$330.0 million aggregate principal amount of 7.75% notes due 2017 and the application of the net proceeds from that offering to the repurchase of \$295.7 million of Crum & Forster's 10.375% unsecured senior notes due 2013;

the repurchases on April 27, 2007 and May 4, 2007 of \$27.0 million aggregate principal amount of our 7.375% senior notes due 2018;

the repurchases on April 27, 2007 and April 30, 2007 of \$9.1 million aggregate principal amount of our 8.25% senior notes due 2015;

the conversion on May 1, 2007, by the senior debenture holders, of \$22.5 million aggregate principal amount of OdysseyRe's 4.375% senior debentures due 2022;

the repayment on February 7, 2007, of \$45.7 million aggregate principal amount of our 2.5% secured debt due 2007;

the repurchase, on March 15, 2007 and March 16, 2007, of \$13.0 million aggregate principal amount of our 7.375% senior notes due 2018; and

this exchange offer assuming that holders of 50% of the aggregate principal amount of outstanding old notes participate in the exchange offer and that all of such holders tender their old notes prior to the early participation date.

Except as described above, the following table does not reflect the interest cost of our debt and the debt of our subsidiaries issued during the periods as if it was issued at the beginning of the periods.

	<b>Twelve Months Ended</b>			
	<b>March 31, 2007</b>		<b>December 31, 2006</b>	
	<b>Actual</b>	<b>As Adjusted</b>	<b>Actual</b>	<b>As Adjusted</b>
Earnings coverage(1)	4.5x	4.6x	5.2x	5.5x

(1) Earnings coverage is equal to net income before interest expense, non-controlling interests and income taxes divided by interest expense.

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Our interest expense amounted to approximately \$207.1 million and \$210.4 million for the twelve-month periods ended March 31, 2007 and December 31, 2006, respectively. Our earnings before interest expense and income taxes for the twelve-month periods ended March 31, 2007 and December 31, 2006 were approximately \$934.7 million and \$1,089.0 million, respectively, which is 4.5 times and 5.2 times our interest expense for those periods. The actual ratios have been calculated excluding the carrying charges for the convertible senior debentures due 2023 reflected in equity. The earnings coverage ratios would not have changed materially had these securities been accounted for as debt

After giving effect to the adjustments as described above as of the beginning of the period, our interest expense would have amounted to approximately \$202.3 million and \$199.4 million for the twelve-month periods ended March 31, 2007 and December 31, 2006, respectively.

After giving effect to the adjustments as described above as of the beginning of the periods, our earnings before interest expense and income taxes for the twelve-month periods ended March 31, 2007 and December 31, 2006 would have been approximately \$935.0 million and \$1,089.3 million, respectively, which would have been 4.6 times and 5.5 times our interest expense for those periods.

## **CERTAIN INCOME TAX CONSIDERATIONS**

### **Certain United States Federal Income Tax Considerations**

The following discussion summarizes the material U.S. federal income tax consequences of the exchange offer and the ownership of the new notes acquired in the exchange offer that may be relevant to you if you are a U.S. Holder (as defined below). This summary is based upon the provisions of the Internal Revenue Code of 1986, as amended, or the Code, Treasury regulations promulgated under the Code, and administrative rulings and judicial decisions as of the date hereof. These authorities may be changed, perhaps retroactively, resulting in U.S. federal income tax consequences different from those discussed below.

We have not sought any ruling from the Internal Revenue Service, or the IRS, or an opinion of counsel with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions. Accordingly, we urge you to consult with your tax advisor regarding any comments or conclusions contained herein.

This summary assumes that the old notes and the new notes are or will be held as capital assets within the meaning of Section 1221 of the Code. This summary also does not address the tax considerations arising under the laws of any foreign, state or local jurisdiction. In addition, this summary does not address all tax considerations that may be applicable to your particular circumstances or to you if you are a U.S. Holder that may be subject to special tax rules, including, without limitation:

U.S. Holders subject to the alternative minimum tax;

banks, insurance companies, or other financial institutions;

tax exempt organizations;

dealers in securities or commodities;

traders in securities that elect to use a mark to market method of accounting for their securities holdings;

U.S. Holders whose functional currency is not the U.S. dollar;

persons holding the old notes or the new notes as a position in a hedging transaction, straddle, conversion transaction or other risk reduction transaction; or

persons deemed to sell the old notes or the new notes under the constructive sale provisions of the Code.

For purposes of this discussion, you are a U.S. Holder if you are a holder of the old notes that is:

an individual citizen or resident of the United States for U.S. federal income tax purposes;

a corporation, including any entity treated as a corporation for U.S. federal income tax purposes, created or organized in the United States or under the laws of the United States or of any political subdivision of the United States;

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an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust, if its administration is subject to the primary supervision of a U.S. court and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if it has made a valid election under applicable Treasury regulations to be treated as a U.S. person.

If a partnership holds the old notes or the new notes, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding the old notes or the new notes, you should consult your tax advisor regarding the tax consequences of the exchange offer and the ownership of new notes.

THIS SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. YOU ARE URGED TO CONSULT YOUR TAX ADVISOR WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO YOUR PARTICULAR SITUATION AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX RULES OR UNDER THE LAWS OF ANY STATE, LOCAL, FOREIGN OR OTHER TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

**The Exchange Offer**

Under U.S. federal income tax law, the exchange of old debt instruments for new debt instruments results in an exchange on which taxable gain or loss is realized if the exchange constitutes a significant modification of the terms of the old debt instruments. The modification of a debt instrument is a significant modification if, based on all the facts and circumstances and taking into account all modifications of the debt instrument, the legal rights and obligations under the debt instrument are altered in a manner that is economically significant. Under applicable Treasury regulations, the exchange of the old notes for the new notes pursuant to the exchange offer will constitute a significant modification of the terms of the old notes. The precise tax treatment will depend on whether the exchange qualifies as a recapitalization under the Code. Even if the exchange qualifies as a recapitalization, you generally will recognize any gain on the exchange to the extent of cash received, although you will not recognize a loss. If the exchange does not qualify as a recapitalization, you generally will recognize gain or loss.

***Recapitalization***

Generally, an exchange of old debt instruments for new debt instruments will qualify as a recapitalization only if both the old debt instruments and the new debt instruments constitute securities for U.S. federal income tax purposes. The term security is not defined in the Code or the Treasury regulations and has not been clearly defined by judicial decisions. The test as to whether a debt instrument is a security involves an overall evaluation of the nature of the debt instrument, the extent of the investor's proprietary interest in the issuer compared with the similarity of the debt instrument to a right to receive a cash payment and certain other considerations. One of the most significant factors considered in determining whether a particular debt instrument is a security is its original term. In general, debt instruments with an initial term of less than five years are not likely to (but may in certain circumstances) be considered securities. The old notes and the new notes may qualify as securities, and thus the exchange of the old notes for the new notes may qualify as a recapitalization. You should consult your tax advisor as to whether your old notes and new notes received in the exchange offer constitute securities and whether the exchange of old notes for new notes qualifies as a recapitalization.

If the exchange of old notes for new notes pursuant to the exchange offer qualifies as a recapitalization, generally you will recognize gain (but not loss) in an amount equal to the lesser of (i) the amount of gain realized, which is the

excess of the issue price of the new notes (discussed below) and the early participation payment, if applicable (but excluding accrued and unpaid interest, discussed below) over your adjusted tax basis in the old notes exchanged or (ii) the early participation payment, if applicable (but excluding accrued and unpaid interest, discussed below). Subject to the discussion under Market Discount, below, such gain generally will be capital gain, and will be long-term capital gain if your holding period for the old notes is more than one year at the time of the exchange. If you are a non-corporate U.S. Holder, including an individual, your long-term capital gain is generally subject to a maximum tax rate of 15%. Such gain generally will be treated as U.S. source gain for U.S. foreign tax credit limitation purposes.

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Your holding period for the new notes received will include your holding period for the old notes exchanged. Your initial tax basis in the new notes will equal the adjusted tax basis of the old notes immediately prior to the exchange, decreased by the early participation payment, if applicable (but excluding accrued and unpaid interest, discussed below) and increased by the amount of gain, if any, that you recognize in respect of the exchange.

### ***Non-Recapitalization***

If the exchange of old notes for new notes pursuant to the exchange offer is not treated as a recapitalization, you will recognize gain or loss equal to the difference, if any, between the amount realized on the exchange and your adjusted tax basis in the old notes. The amount realized will be the early participation payment, if applicable (but excluding accrued and unpaid interest, discussed below) and the issue price of the new notes (discussed below). Subject to the discussion under **Market Discount**, below, any gain or loss will be capital gain or loss, and will be long-term capital gain or loss if your holding period for the old notes is more than one year at the time of the exchange. If you are a non-corporate U.S. Holder, including an individual, your long-term capital gain is generally subject to a maximum tax rate of 15%. The deductibility of capital losses is subject to limitations. Any gain or loss recognized on the exchange generally will be treated as U.S. source gain or loss for U.S. foreign tax credit limitation purposes.

Your holding period for the new notes will not include your holding period for the old notes exchanged and will begin on the day after the exchange. Your initial tax basis in the new notes will be the issue price of the new notes on the date of the exchange.

### ***Accrued and Unpaid Interest***

Any amounts that you receive that are attributable to accrued and unpaid interest on the old notes will be treated as ordinary income for U.S. federal income tax purposes to the extent not previously included in income. Such interest will be treated as foreign source income for U.S. foreign tax credit limitation purposes, and as passive category income.

### ***Market Discount***

If you hold old notes acquired at a market discount, you generally will be required to treat a portion of any gain that you recognize on the exchange of such old notes for new notes and cash as ordinary income to the extent attributable to any accrued market discount that has not previously been included in income. If the exchange of old notes for new notes qualifies as a recapitalization, any remaining market discount will carry over to the new notes. Such market discount should be treated as foreign source income for U.S. foreign tax credit limitation purposes, and as passive category income.

### ***Issue Price of the New Notes***

Debt instruments are considered to be publicly traded if they are traded on an established market during the 60-day period ending 30 days after the date they are issued, which in the case of an exchange is the date of the exchange. A debt instrument generally is considered to be traded on an established market if it is listed on a major securities exchange, appears on a quotation medium of general circulation or otherwise is readily quotable by dealers, brokers or traders (and certain safe harbors do not apply). If the new notes are publicly traded, the issue price of the new notes will equal the fair market value of the new notes at the time of the exchange. If the new notes are not publicly traded but the old notes are publicly traded, the issue price of the new notes generally will equal the fair market value of the old notes at the time of the exchange. If neither the old notes nor the new notes are publicly traded, the issue price of the new notes will equal the stated principal amount of the new notes.



We expect that the new notes will be considered to be publicly traded under the rules described above. These rules are complex, however, and you should consult your tax advisor regarding the determination of the issue price of the new notes.

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### **Ownership of the New Notes**

For purposes of this discussion, it is assumed that the new notes will not be issued with more than *de minimis* original issue discount.

*Stated Interest.* Stated interest on the new notes generally will be taxable to you as ordinary income at the time that it is paid or accrued in accordance with your method of accounting for U.S. federal income tax purposes. Such interest will be treated as foreign source income for U.S. foreign tax credit limitation purposes, and as passive category income.

*Bond Premium.* If immediately after the exchange you have an adjusted tax basis in the new notes in excess of the stated principal amount of the new notes, the new notes will be treated as issued with bond premium. Generally, you may elect to amortize such bond premium as an offset to stated interest income in respect of the new note, using a constant yield method prescribed under applicable Treasury regulations, over the remaining term of the note. If you elect to amortize bond premium you must reduce your basis in the new note by the amount of the premium used to offset stated interest. Your election to amortize bond premium as an offset to stated interest accordingly should offset your foreign source interest income. You should consult your tax advisor regarding the availability of an election to amortize bond premium for U.S. federal income tax purposes.

*Sale, Exchange, or Other Disposition of the New Notes.* Upon the sale, exchange, or other disposition of a new note, you will recognize gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other disposition (excluding accrued but unpaid stated interest, which generally will be taxable as interest to the extent not previously included in income) and your adjusted tax basis in the new notes. Your adjusted tax basis in a new note will equal your initial tax basis in the new notes, decreased (but not below zero) by all payments received in respect of the new note other than payments of stated interest and decreased by any amortized bond premium. Subject to the discussion under **Market Discount**, below, such gain or loss will be capital gain or loss, and will be long-term capital gain or loss if your holding period for the old notes is more than one year at the time of the exchange. If you are a non-corporate U.S. Holder, including an individual, your long-term capital gain is generally subject to a maximum tax rate of 15%. The deductibility of capital losses is subject to limitations. Any gain or loss recognized on the sale, exchange, or other disposition generally will be treated as U.S. source gain or loss for U.S. foreign tax credit limitation purposes.

*Market Discount.* If your initial basis in a new note is less than its principal amount, the amount of such difference is treated as **market discount** for U.S. federal income tax purposes, unless such difference is no more than a *de minimis* amount. Additionally, as described above in **The Exchange Offer** **Market Discount**, if the exchange of old notes for new notes qualifies as a recapitalization, any market discount that a U.S. Holder had in the old notes that has not previously been included in income or was not included in income to the extent of the cash received in the exchange will carry over to the new notes. Principal payments and gain received on the disposition of a new note will be treated as ordinary income to the extent accrued market discount, if any, has not been previously included in income. Alternatively, a U.S. Holder may elect to include market discount in income currently.

In general, the amount of market discount that has accrued is determined on a ratable basis. A U.S. Holder may, however, elect to determine the amount of accrued market discount on a constant yield-to-maturity basis. This election is made on a note-by-note basis and is irrevocable.

*Information Reporting and Backup Withholding.* If you are a non-corporate U.S. Holder, information reporting requirements on IRS Form 1099 generally will apply to payments of principal and interest on your new notes within the United States and the payment of proceeds from the sale of your new notes at a U.S. office of a broker. Additionally, backup withholding, currently at a rate of 28%, may apply to such payments if you are a non-corporate

U.S. Holder that fails to provide an accurate taxpayer identification number, is notified by the IRS that you have failed to report all interest and dividends required to be shown on your U.S. federal income tax returns, or fails to comply with certain certification requirements.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against your U.S. federal income tax provided the required information is furnished to the IRS in a timely manner.

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### **Certain Canadian Federal Income Tax Considerations**

In the opinion of Torys LLP, the following summary accurately describes the principal Canadian federal income tax considerations under the Income Tax Act (Canada) (the Canadian Tax Act ) generally applicable to a holder of old notes who disposes of old notes in exchange for new notes pursuant to the exchange offer (old and new notes collectively referred to as notes ) and who, at all relevant times for purposes of the Canadian Tax Act, holds the notes as capital property, deals with the Company at arm's length and is not affiliated with the Company. A note will generally be considered to be capital property of a holder provided that holder does not use or hold and is not deemed to use or hold the notes in carrying on business or an adventure in the nature of trade (a Holder ).

The summary is based on the current provisions of the Canadian Tax Act, the regulations thereunder and an understanding of the current administrative practices and policies published by the Canada Revenue Agency and takes into account all specific proposals to amend the Canadian Tax Act and regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof. This summary does not take into account or anticipate any other changes in law or administrative practices, whether by judicial, governmental or legislative action or decisions, nor does it take into account provincial, territorial or foreign income tax legislation or considerations.

**This summary is of a general nature only and is not intended to be, and should not be construed to be, legal or tax advice to any particular Holder. Holders should consult their own tax advisors as to the tax consequences in their particular circumstances.**

### **Residents of Canada**

The following portion of the summary applies only to a Holder who, at all relevant times, is resident or deemed to be resident in Canada for purposes of the Canadian Tax Act (a Resident Holder ).

### ***Foreign Currency***

For purposes of the Canadian Tax Act, all amounts relevant in computing a Resident Holder's liability under the Canadian Tax Act must be computed in Canadian currency. Any amount denominated in U.S. dollars (including adjusted cost base, proceeds of disposition and payments of interest) must be converted into Canadian dollars based on the Canada/U.S. currency exchange rate prevailing at the time the particular amount arises.

### ***Disposition of Old Notes Pursuant to Exchange Offer***

A Resident Holder who disposes of old notes pursuant to the exchange offer will be considered to have disposed of such old notes for proceeds of disposition equal to the consideration received on the disposition. The Resident Holder will realize a capital gain (capital loss) on the disposition of the old notes equal to the amount by which the Resident Holder's proceeds of disposition, net of any reasonable costs of disposition, are greater than (less than) the adjusted cost base to the Resident Holder of the old notes sold pursuant to the exchange offer. Upon the disposition, any interest paid to a Resident Holder, interest which has accrued on the old notes to the date of disposition and which would otherwise be payable after that date or amounts deemed under the Canadian Tax Act to be interest, will be excluded from the Resident Holder's proceeds of disposition of the old notes and must be included in computing the income of the Resident Holder except to the extent it was included in the income of the Resident Holder for a previous year. The early participation payment payable for the old notes pursuant to the exchange offer will be deemed to be interest only if it can reasonably be considered to relate to amounts that would have been paid on the old notes as interest had the old notes not been exchanged by the Company. The Company is of the view that the early participation payment does not relate to such amounts.

Under the Canadian Tax Act, one-half of any capital gain (capital loss) realized by a Resident Holder is a taxable capital gain (an allowable capital loss). Taxable capital gains must be included in computing the income of a Resident Holder. Allowable capital losses may be deducted only against taxable capital gains subject to and in accordance with the provisions of the Canadian Tax Act. In certain circumstances, such as where a Resident Holder acquires other notes (the Substituted Notes ) during the period that begins 30 days before and ends 30 days after the disposition and at the end of that period owns such Substituted Notes, the Resident Holder's loss from the

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disposition is deemed to be nil. In certain circumstances, such a loss may be recognized at the time the Substituted Notes are disposed of, or may be added to the adjusted cost base of the Substituted Notes.

Capital gains realized by an individual or by most trusts may give rise to alternative minimum tax under the Canadian Tax Act. Canadian-controlled private corporations may be subject to an additional refundable tax of 62/3% on taxable capital gains realized on the disposition of notes.

### ***Taxation of New Notes***

*Interest.* A Resident Holder that is a corporation, partnership, unit trust or trust of which a corporation or partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on a new note that accrues or is deemed to accrue to the Resident Holder to the end of that taxation year or becomes receivable or is received by the Resident Holder before the end of that taxation year, except to the extent that such interest was otherwise included in the Resident Holder's income for a preceding taxation year.

Any other Resident Holder, including an individual or a trust of which neither a corporation or a partnership is a beneficiary, will be required to include in income for a taxation year any interest on a new note received or receivable by such Resident Holder in that year (depending upon the method regularly followed by the Resident Holder in computing income), except to the extent that the interest was included in the Resident Holder's income for a preceding taxation year.

Any premium paid by the Company to a Resident Holder because of the redemption by it of a new note before maturity thereof will generally be deemed to be interest received at that time by the Resident Holder to the extent that such premium can reasonably be considered to relate to, and does not exceed the value at the time of the redemption of, the interest that would have been paid or payable by the Company on the new note for a taxation year ending after the redemption.

*Disposition.* The tax consequences of a disposition of the new notes will generally be similar to those described under Certain Canadian Federal Income Tax Considerations Residents of Canada *Disposition of Old Notes Pursuant to Exchange Offer* .

### **Non-Residents of Canada**

The following portion of the summary is generally applicable to a Holder who, at all relevant times, for the purposes of the Canadian Tax Act and any applicable income tax treaty or convention, is neither resident nor deemed to be resident in Canada and who does not use or hold, and is not deemed by the Canadian Tax Act to use or hold, such Holder's Notes in connection with carrying on a business in Canada (a Non-Resident Holder). This summary does not apply to a Holder that is an insurer that carries on an insurance business in Canada and elsewhere.

### ***Disposition of Old Notes Pursuant to Exchange Offer***

Amounts paid to a Non-Resident Holder of old notes pursuant to the exchange offer, including amounts in respect of accrued interest, will be exempt from Canadian withholding tax. No taxes on income (including taxable capital gains) will be payable by a Non-Resident Holder in respect of the disposition of old notes pursuant to the exchange offer.

### ***Taxation of New Notes***

Interest or principal paid to a Non-Resident Holder of new notes will be exempt from Canadian withholding tax. No other tax on income (including taxable capital gains) will be payable by a Non-Resident Holder of new notes in

respect of the acquisition, ownership, redemption or disposition of new notes.

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**DOCUMENTS INCORPORATED BY REFERENCE**

The following documents filed by us with the securities commission or similar authority in each of the provinces of Canada and filed with or furnished to the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, are specifically incorporated by reference in this prospectus:

- (1) our annual information form for the year ended December 31, 2006, dated March 9, 2007;
- (2) our audited consolidated financial statements and the notes thereto, including balance sheets as at December 31, 2006 and 2005 and earnings, shareholders' equity and cash flow statements for each of the years in the three year period ended December 31, 2006, together with the report of the auditors thereon;
- (3) management's discussion and analysis for the annual consolidated financial statements as at and for the periods referred to in paragraph 2;
- (4) our management information circular dated March 9, 2007 in connection with the annual meeting of shareholders held on April 18, 2007;
- (5) our unaudited consolidated financial statements and the notes thereto, including balance sheet as at March 31, 2007 and earnings, comprehensive income, shareholders' equity and cash flow statements for the three months ended March 31, 2007 and March 31, 2006; and
- (6) management's discussion and analysis for the unaudited consolidated financial statements as at and for the periods referred to in paragraph 5.

**Any documents of the types referred to in paragraphs 1 through 6 above and any business acquisition reports or material change reports (excluding confidential material change reports) filed by us with the securities regulatory authorities in Canada or filed with the SEC after the date of this prospectus supplement and prior to the termination of the exchange offer hereunder shall be deemed to be incorporated by reference into this prospectus. In addition, any report furnished to the SEC by us pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or submitted by us to the SEC pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934, as amended, after the date of this prospectus supplement and prior to the termination of the exchange offer shall be deemed to be incorporated by reference into this prospectus supplement and the registration statement of which this prospectus supplement forms a part, if and to the extent expressly provided in such report.**

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this prospectus to the extent that a statement contained herein, or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.**



**Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from Bradley P. Martin, Vice President, Chief Operating Officer and Corporate Secretary, at Suite 800, 95 Wellington Street West, Toronto, Ontario M5J 2N7. For the purpose of the Province of Quebec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from our Vice President and Corporate Secretary at the above-mentioned address. Copies of documents that we have filed with the securities regulatory authorities in Canada may be obtained over the Internet at the Canadian Securities Administrators website at [www.sedar.com](http://www.sedar.com).

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We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file or furnish reports and other information with or to the SEC. Our recent SEC filings may be obtained over the Internet at the SEC's website at [www.sec.gov](http://www.sec.gov). You may also read and copy any document we file or furnish with or to the SEC at the public reference facilities maintained by the SEC at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. Please call 1-800-SEC-0330 for further information on the operations of the public reference facilities and copying charges.

**LEGAL MATTERS**

Certain legal matters relating to the new notes offered by this prospectus will be passed upon on our behalf by Torys LLP, our Canadian counsel, and Shearman & Sterling LLP, our U.S. counsel. As of the date hereof, the lawyers of Torys LLP, directly or indirectly, in aggregate, own less than one percent of our outstanding subordinate voting shares.

**EXPERTS**

The consolidated financial statements as of December 31, 2006 and 2005 and for each of the years in the three year period ended December 31, 2006 incorporated by reference into this prospectus have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent auditors, given on the authority of said firm as experts in accounting and auditing.

**AUDITORS**

Our auditors are PricewaterhouseCoopers LLP, Chartered Accountants, Royal Trust Tower, Suite 3000, P.O. Box 82, 77 King Street West, Toronto, Ontario, Canada M5K 1G8.

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**AUDITORS CONSENT**

We have read the prospectus supplement of Fairfax Financial Holdings Limited (the Company) dated May 10, 2007 relating to the Company's offer to exchange any and all of its 73/4% notes due 2012 for cash and new 73/4% notes due 2022, together with the accompanying short form base shelf prospectus of the Company dated April 10, 2007. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned prospectus supplement of our report to the shareholders of the Company relating to the consolidated balance sheets of the Company as at December 31, 2006 and 2005, the consolidated statements of earnings, shareholders' equity and cash flows for each of the years in the three year period ended December 31, 2006, and management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting as of December 31, 2006. Our report is dated March 9, 2007.

(Signed) PricewaterhouseCoopers LLP  
Chartered Accountants, Licensed Public Accountants  
Toronto, Ontario  
May 10, 2007

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**PROSPECTUS**

April 10, 2007

**FAIRFAX FINANCIAL HOLDINGS LIMITED**

**US\$750,000,000**

**Subordinate Voting Shares  
Preferred Shares  
Debt Securities  
Warrants  
Share Purchase Contracts  
Units**

We may offer from time to time, during the 25 month period that this prospectus, including any amendments hereto, remains effective, up to US\$750,000,000 of the securities listed above in one or more series or issuances and their total offering price, in the aggregate, will not exceed US\$750,000,000. Our securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions and set forth in an accompanying shelf prospectus supplement.

We will provide the specific terms of any securities we actually offer in supplements to this prospectus. You should read this prospectus and any applicable prospectus supplement carefully before you invest. This prospectus may not be used to offer securities unless accompanied by a prospectus supplement. Any net proceeds we expect to receive from the issue of our securities will be set forth in a prospectus supplement.

This prospectus does not qualify for issuance debt securities in respect of which the payment of principal and/or interest may be determined, in whole or in part, by reference to one or more underlying interests including, for example, an equity or debt security, a statistical measure of economic or financial performance including, but not limited to, any currency, consumer price or mortgage index, or the price or value of one or more commodities, indices or other items, or any other item or formula, or any combination or basket of the foregoing items.

Our outstanding Subordinate Voting Shares are listed for trading on the Toronto Stock Exchange and the New York Stock Exchange under the symbol FFH.

Investing in our securities involves risks. See Risk Factors.

Our head and registered office is at Suite 800, 95 Wellington Street West, Toronto, Ontario, M5J 2N7.

**We are permitted to prepare this prospectus in accordance with Canadian disclosure requirements, which are different from those of the United States. We prepare our financial statements in accordance with Canadian generally accepted accounting principles, and are subject to Canadian auditing and auditor independence standards. Our financial statements may not be comparable to financial statements of U.S. companies.**

**Owning the securities may subject you to tax consequences both in the United States and Canada. This prospectus or any applicable prospectus supplement may not describe these tax consequences fully. You should read the tax discussion in any applicable prospectus supplement.**

**Your ability to enforce civil liabilities under the U.S. federal securities laws may be affected adversely because we are incorporated in Canada, most of our officers and directors and certain of the experts named in this prospectus are Canadian residents, and many of our assets are located in Canada.**

**Neither the U.S. Securities and Exchange Commission nor any state or provincial securities regulator has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

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**You should rely only on the information contained in or incorporated by reference into this prospectus or any prospectus supplement. References to this prospectus include documents incorporated by reference therein. See Documents Incorporated by Reference. The information in or incorporated by reference into this prospectus is current only as of its date. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to offer these securities.**

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**ENFORCEABILITY OF CERTAIN CIVIL LIABILITIES**

We are a corporation organized under the laws of Canada and some of our assets are located in, and most of our directors and most of our officers are residents of, Canada. As a result, it may be difficult for U.S. investors to effect service of process within the United States upon our directors or officers, or to realize in the United States upon judgments of courts of the United States predicated upon civil liability of such directors or officers under U.S. federal securities laws. We have been advised by Torys LLP, our Canadian counsel, that a judgment of a U.S. court predicated solely upon civil liability under such laws would probably be enforceable in Canada if the U.S. court in which the judgment was obtained had a basis for jurisdiction in the matter that was recognized by a Canadian court for such purposes. We have also been advised by such counsel, however, that there is substantial doubt whether an action could be brought in Canada in the first instance on the basis of liability predicated solely upon such laws.

**PRESENTATION OF OUR FINANCIAL INFORMATION**