

FAIRFAX
News Release
Stock Symbol: FFH

TORONTO, May 5, 1998

FAIRFAX REPORTS REGARDING ITS CONTINGENT VALUE RIGHTS AS OF THE END OF THE FIRST QUARTER OF 1998

Fairfax Financial Holdings Limited announces as follows in connection with its Contingent Value Rights (CVRs) issued upon its merger in December 1997 with Sphere Drake Holdings Limited (whose constituent companies are now named Odyssey Re (London) Limited and Odyssey Re (Bermuda) Limited). A detailed description of the CVRs and of considerations which may affect their value is contained in the October 29, 1997 Sphere Drake/Fairfax Proxy Statement/Prospectus issued in connection with that merger. Fairfax notes that the ultimate value of the CVRs is essentially entirely dependent upon matters which are beyond its control, relating to the result of business transacted by Sphere Drake prior to the time of Fairfax's involvement with Sphere Drake.

During the first quarter of 1998, Sphere Drake undertook prior year reserve strengthening of U.S.\$7.3 million (which is additional to the U.S.\$41.4 million of such strengthening undertaken as of the end of 1997, as previously announced).

During the first quarter of 1998, in respect of pre-1997 matters, Sphere Drake made no additional provision for receivables from reinsurers (beyond the U.S.\$4.1 million of such receivables provided for as of the end of 1997, as previously announced) and recognized no additional outcomes of commutations (beyond the U.S.\$0.4 million of favourable outcomes recognized as of the end of 1997, as previously announced).

The above-mentioned reserve strengthening, without taking into account future development with respect to Sphere Drake's loss reserves, reserves for uncollectible reinsurance, commutation outcomes or any other factors, would reduce the amount otherwise payable with respect to the CVRs at their stated maturity in December 2007 from U.S.\$9.86 to U.S.\$7.01 on a per CVR basis. The CVRs are redeemable at any time at the option of Fairfax; early redemption would reduce both of the foregoing amounts.

There can be no assurance that additional prior year reserve strengthening will not be required on any of Sphere Drake's lines of business. Reserves and recoverables from reinsurers in respect of pre-1997 Sphere Drake matters will continue to be monitored periodically and such monitoring may well produce variations from the above positions determined as of the end of the first quarter of 1998. Were these variations or future commutation outcomes to be adverse, they would reduce the amount otherwise payable with respect to the CVRs by amounts which could be material.

Fairfax Financial Holdings Limited is a financial services holding company which, through its subsidiaries, is engaged in property, casualty and life insurance and reinsurance, investment management and insurance claims management.

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