FAIRFAX

FINANCIAL HOLDINGS LIMITED

1990 Annual Report

"L O G O"

1990 Annual Report

CONTENTS

"L O G O"

SIX-YEAR FINANCIAL HIGHLIGHTS
(in thousands except per share data)

	1990	1989	1988	1987	1986	1985
Total revenues	195,430	125,754	133,649	112,971	53,733	17,015
Net earnings	21,306	16,741	14,357	16,019	6,548	(910)
Total assets	542,124	248,065	246,786	185,413	129,845	41,477
Shareholders' equity	94,676	90,830	74,176	61,048	41,275	10,379
Shares outstanding - year-end	5,477	7,316	7,322	7,337	7,007	5,000
Return on average equity	23.0%	20.3%	21.2%	31.3%	25.4%	-

Per share						
Net earnings - fully diluted	2.92	2.25	1.94	2.23	1.35	(1.89)
Shareholders' equity	17.29	12.41	10.13	8.32	5.89	2.08
Market prices per share						
High	21.63	19.00	15.13	17.50	14.13	6.00
Low	8.88	14.00	11.75	10.50	6.00	3.00
Close	11.00	18.75	15.00	12.37	12.75	6.00

CORPORATE CHART
March 1, 1991
setting out Fairfax and its principal operating companies

```
                                   Fairfax Logo
             -------------------------------------------------------------
             |                                      |                   |
        Fairfax                                Fairbridge     |--Morden & Helwig
        Insurance                                 Inc.        |     Group Inc.
        Services                                    |         |         |
      --------------------------------------        |         |         |
      |           |             |          |        |         |         |
Commonwealth  Federated--|    Markel--|    |     Fairfax      |  Morden & Helwig
       Group      Group  |     Group  |    |      Realty      |      Limited
     |            |      |       |    |    |        Inc.      |
     |            |      |       |    |    |                  |
Commonwealth  Federated  |  Chequers  | Wentworth             | Lindsey & Newsom
   Insurance  Insurance  | Insurance  | Insurance             |- Claim Services,
   Company      Company  |   Company  | Company               |    Inc. (U.S.)
(Canada, US)  of Canada  |            | (Barbados)            |
                  |      |            |                       |
              Federated  |    Markel  |                       |    Vale National
         Life Insurance--| Insurance--|                       |--Training Center,
                Company      Company  |                       |    Inc. (U.S.)
              of Canada    of Canada  |                       |
                                      |                       |
                    Otter Dorchester  |                       |  Hamkin Holdings
                           Insurance--|                       |--    Limited
Note:                        Company                                  (U.K.)
```

1) All companies are wholly owned except Morden & Helwig Group Inc., a public company of which Fairfax owns 48% of the equity and 90% of the votes.
2) All companies carry on business in Canada except as otherwise noted.

CORPORATE PROFILE

Fairfax Financial Holdings Limited is a financial services holding company whose corporate objective is to achieve a high rate of return on invested capital and build long term shareholder value. The company has been under present management since September 1985.

Fairfax Insurance Services Inc. was formed during 1990 to ensure that all operating insurance subsidiaries are well-managed, disciplined organizations with strong operating management and control systems.

Commonwealth Group based in Vancouver, was acquired as of November 14, 1990. It offers commercial property and oil and gas insurance in Canada, the United States and internationally, and commercial casualty insurance in Canada. In 1990 Commonwealth's gross premiums written totalled $141 million. At year-end there were 120 employees and two branches.

Federated Group was acquired January 1, 1990, and is based in Winnipeg. Its companies market a broad range of insurance products primarily for commercial customers. In 1990 Federated's gross premiums written totalled $41.5 million, consisting of $34.3 million of property and casualty business and $7.2 million of life, group health and disability products. There were 223 employees and 6 branches at the end of 1990.

Markel Group includes the operations of Markel Insurance Company of Canada, Chequers Insurance Company and Otter Dorchester Insurance Company. Markel Insurance is one of the largest trucking insurance companies in Canada and has provided the Canadian trucking industry with a continuous market for this class of insurance since 1951. In 1990 gross premiums written were $19 million and the group had 88 employees. Chequers Insurance Company (formerly Sphere Reinsurance Company of Canada) continues to run off the former reinsurance business and wrote gross premiums of $6 million of property and casualty risks in 1990. Otter Dorchester insures agricultural risks and in 1990 wrote $6 million of gross premiums.

Wentworth Insurance Company was incorporated in 1990 as a captive insurance company domiciled in the Barbados. In 1990 it recorded $4.4 million in gross premiums written.

Fairbridge Inc. was incorporated in March 1989 and functions as our investment bank. It has participated in a limited number of projects, and the focus of its four employees currently is the management or disposition of its existing investments.

Morden & Helwig Group Inc., acquired in 1986, is engaged in providing claims adjusting, appraisal and loss management services to a wide variety of insurance companies and self-insured organizations across Canada, in 33 states of the U.S. and in the U.K. In 1990 revenues of the Canadian and U.K. operations totalled $58.2 million, while revenues of Lindsey & Newsom Claim Services, Inc., in which the group's interest increased from 50% to 100% in December 1990, totalled $59 million. At year-end the group had some 1,800 employees located in 342 branches.

To Our Shareholders

1990 was the best of times, it was the worst of times. We earned a record $21.3 million, all of it from the sale of F-M Acquisition to our partners in Richmond, Virginia. Our operations, after losses from investment banking, were unprofitable. Return on common equity in 1990 was 23% (vs 7.9% for the TSE 300) while earnings per share at $2.92, increased 30% from 1989. More importantly, because of the decrease in common shares outstanding, book value per share increased by 39% to $17.29 from $12.41. The most significant event in 1990 was the restructuring of our partnership interests with Markel Corporation to allow both companies greater freedom to pursue growth. The past five years have been excellent years for both Fairfax and Markel Corporation as each company expanded from a capital base of less than $10 million to approximately $100 million currently. However, more recently, Steven Markel and I have felt that in the long term, the existing structure was unlikely to continue to be the best one and that Fairfax and Markel should either be put together or be separated. The opportunity for us to purchase Commonwealth Insurance was the catalyst for the restructuring whereby Fairfax transferred its 47.5% interest in F-M Acquisition Corporation to Markel Corporation in exchange for:

a) US $45 million cash,

b) l.65 million shares of Fairfax, and

c) the preferred shares of Lindsey & Newsom Claim Services, Inc. with a par value of US $7 million.

Also, Markel Corporation transferred its common shares and debt interest in Lindsey & Newsom to Morden & Helwig Group for US $8.3 million. Due to dramatic changes in the financial markets since the announcement of these transactions on September 4, 1990, US $11.5 million (Cdn $13.6 million) of the US $45 million cash component became contingent on a recovery of the financial markets in the next two and a half years. With this restructuring, Markel Corporation's 23% ownership of Fairfax was eliminated; Fairfax through Morden & Helwig owns 100% of Lindsey & Newsom; and Fairfax purchased Commonwealth Insurance with the cash proceeds. Why did we do this restructuring? As discussed in the information circular of

November 8, 1990, the major reasons were as follows:

(a) It separated the business interests of Fairfax and Markel Corporation to allow both companies greater freedom to pursue growth;

(b) Fairfax realized a very significant profit on the transfer of its F-M Acquisition shares;

(c) Fairfax retired 23% of its shares at a favorable price. This significantly increased the book value per share and should also increase future earnings per share;

(d) Morden & Helwig became the sole owner of Lindsey & Newsom and now has the opportunity to expand significantly under the leadership of Ken Polley and Terry Grant; and

(e) The cash received on the transfer of F-M facilitated the acquisition of Commonwealth

Insurance, which Fairfax purchased at a significant discount to book value.

You will be happy to know that this restructuring was done in a fair and friendly manner and to the complete satisfaction of the Fairfax, Markel Corporation and Morden & Helwig boards of directors. Also the transaction was overwhelmingly approved by Fairfax and Morden & Helwig shareholders at special meetings held on December 14, 1990. Moreover, we feel this restructuring will be positive for the long term success of F-M Acquisition, Morden & Helwig and Lindsey & Newsom.

We wish Joe Prochaska and the Shand, Morahan companies owned by F-M Acquisition great success under the Markel Corporation umbrella. While it made sense to separate Fairfax's and Markel Corporation's business interests, Steven Markel and I will continue to be on each others' boards.

The table below shows the sources of our net earnings:

	($ millions) 1990	1989	% Change

Insurance underwriting	(12.4)	(11.9)	(4%)
Interest and dividends	19.3	9.2	110%
Realized gains	4.2	14.5	(71%)
Total insurance pre-tax	11.1	11.8	(6%)
Claims adjusting (Fairfax portion)	1.7	1.5	13%
Investment banking (including Midland Walwyn)	(6.4)	(1.4)	(357%)
Fairfax entity	(9.9)	(4.0)	(148%)
Equity earnings	4.8	7.3	(34%)
Income before taxes and provisions	1.3	15.2	(91%)
Less: provisions for future potential losses	(7.9)	0	
Total pre-tax income	(6.6)	15.2	(143%)
Less: Goodwill amortization and taxes	0.9	1.5	(40%)
Net earnings after taxes	(5.7)	16.7	(134%)
Gain on sale of F-M	27.0	0	
Net Earnings	21.3	16.7	28%

We have decided to use this new format as it shows you more clearly what our results have been from our insurance operations (underwriting and investments) and our non-insurance operations. We have segregated provisions for future potential losses as well as minority interest, goodwill amortization and taxes, so you can better understand the earnings from our operating companies. In the interests of better disclosure, on page (@) 32 we have included the unaudited statements of our insurance operations, and a summary of Morden & Helwig's audited financial statements is included in Note 3. Fairfax entity includes interest expense (of $8.9 million) and corporate overhead while equity earnings are derived from F-M Acquisition (no longer there in 1991). Provision for future potential losses includes an investment reserve of $2.9 million and general provisions of $5 million.

<u>Insurance Underwriting</u>

As a group, our insurance companies continued to have underwriting losses reflecting the downturn in the insurance cycle and the surety problems discussed in last year's annual report. Unfortunately our estimate for surety losses as of December 31, 1989 proved to be light. Early in 1990 we provided for an additional $5 million and effectively stopped writing surety business. Since we began the surety program in 1988 we collected premiums of $7 million and had gross losses of $21 million. Our overall combined ratio for the surety program at Markel was 330% - a far cry from the 100% that we said was our target. Our surety book will be largely run off by the end of 1991 and we feel we are properly reserved at year-end (again!). Excluding surety losses, Fairfax's underwriting losses in 1990 amounted to $3 million.

Chequers' initial project of selling personal lines through Eaton's stores presently operates at an underwriting loss. A decision will be made in 1991 about the future of this program.

Late in 1990 the management of Markel Insurance, Otter Dorchester and Chequers was amalgamated into one company under the Markel name to take advantage of administrative efficiencies. Markel will be run by Bill Grant who, if you will remember, was one of our partners at Sphere Reinsurance. We welcome Bill back to the Fairfax fold and look forward to Markel's growth under his leadership. The management group at Markel has done a tremendous job of cleaning up the problems of the past at Markel.

Federated Insurance, under John Paisley's leadership, has achieved much in the first year under Fairfax ownership. Having been a branch operation of Federated Mutual (U.S.), Federated Insurance has gone a long way in 1990 to becoming a self-sufficient, independent operation with its own systems, underwriting guidelines, etc. John's team has done an excellent job in the past year (combined ratio 106%) and is working diligently to produce combined ratios below 100%.

On November 14, 1990 we acquired Commonwealth Insurance Company from The Home Insurance Company for $57.5 million - a discount from its book value of $67.8 million. Commonwealth underwrites commercial property and casualty insurance and has been in business since 1965. Based in Vancouver, B.C., Commonwealth has been run by John Watson since 1978. Excluding a book of business that has been in run-off since 1983, Commonwealth has been able to achieve underwriting profits in the past five years. Gross revenues written in 1990 amounted to $141 million and total assets were $183 million at December 31, 1990. We welcome John Watson and the employees of Commonwealth Insurance to Fairfax and look forward to participating in the company's growth. It is our expectation that Commonwealth will compensate for the sale of our interest in F-M in earnings and assets. The $10.3 million purchase price discount to book value will be added to reserves as discussed in Note 18 of the audited financial statements.

In spite of a continued downcycle in the insurance business, it is likely that our underwriting results will improve from 1990 because surety should not continue to be a problem.

Claims Adjusting

With the restructuring discussed earlier, Morden & Helwig has become an international claims adjusting company with 100% owned operations in Canada, the U.S. and the U.K.

Pro forma sales in 1990 with Lindsey & Newsom fully consolidated amounted to $117 million. Morden & Helwig now has 159 branches in Canada, 176 in the U.S. and 7 in the U.K. As discussed in last year's annual report, this is a tremendous growth record, under Ken Polley's leadership, since we acquired it in 1986 with revenues of $30.9 million from 135 branches in Canada.

While revenues have almost quadrupled since 1986, net income has increased only by about 40% from $2.2 million. This is largely because the U.S. operations have yet to contribute to profitability. The Canadian operations continue to perform extremely well.

After more than 40 years with Lindsey & Newsom, Bob Irwin retired from the company and his chosen successor, Terry Grant, took over running the U.S. operations. Bob Irwin has led Lindsey & Newsom for eighteen years and leaves Terry Grant with a great foundation to build on. We thank Bob for his great efforts in the past three years and wish him a happy retirement.

We continue to expect improved profitability from the U.S. operations. Morden & Helwig financed its acquisition of Markel Corporation's 50% interest in Lindsey & Newsom with five-year bank debt and common shares (issued at $8.00 per share) in equal proportions. At year-end, Morden & Helwig had a strong balance sheet (though not as strong as 1989) with total debt (including Lindsey & Newsom's debt) of $23 million vs common equity of $34 million.

All of the increased goodwill on our balance sheet comes from the consolidation of Lindsey & Newsom into Morden & Helwig. In a service business, tangible assets are minimal and goodwill reflects the earnings capacity of the firm. In 1990 Lindsey & Newsom generated US $47.4 million in revenues through 170 branches with 900 employees. When it was acquired in 1987, Lindsey & Newsom had sales of US $17 million in 38 branches with 268 employees. Our expectations are that this goodwill is fully justified.

Shareholders should read Morden & Helwig's Annual Report to get more details about our claims operations. You can get a copy by phoning Don House at (416) 362-6762.

Investment banking

We are no longer in the high profile stock brokerage business. During 1990 Walwyn merged with Midland Doherty backed by a capital infusion from Mackenzie Financial. The merger was very well managed but late in the year Tony Arrell, who continued to have our total support, decided to resign from Midland Walwyn. Given Tony's resignation and Confederation Life's continuing interest in the business, we decided to transfer our interest to Confederation Life. By September 30, 1990 we had already written off our investment in Midland Walwyn, so this sale did not and will not have any further impact on our financial statements. However, our venture into the stock brokerage business cost our shareholders $3.5 million plus the opportunity cost on this capital for two years. We continue to hold our $8.7 million in 12.5% convertible debentures due in December 1993. With the capital raised recently by Midland Walwyn, we are comfortable valuing these debentures at par. We are confident that Midland Walwyn will continue to be very successful under the guidance of Mackenzie Financial and Confederation Life and wish them well in the future. It is highly likely (and personally much appreciated) that you will not see your Chairman's name in the local newspapers soon!

We said in last year's report that Paul Fink was not planning any further investments until the current ones mature. And did they mature! We have written off our investment in Carbovan (cost $5 million) - I was too optimistic last year - and our minor investment in Develcon continues to plod along.

Our real estate investments, run by Rob Mills, consist mainly of a small shopping mall in Calgary. During 1990 the mall was substantially leased and it is expected to produce a positive cash flow in 1991 on our investment of $3 million, net of a non-recourse mortgage of $3 million.

The investment banking losses were mainly due to your Chairman's bright ideas! To date, investment banking has cost our shareholders $8.5 million ($1.55 per share) pre-tax excluding opportunity costs. We are reviewing the investment banking operation to take advantage of the talents of Tony Griffiths, Paul Fink and Rick Salsberg and minimize the losses from your Chairman. It is fair to say we will not do any more venture capital deals and will be extremely cautious of "turnaround" opportunities. Like Warren Buffett, we have found that when good management tackles an industry with poor prospects, it is the industry's reputation that remains intact.

The 1990 losses from investment banking shown in the table (@) on page 8 come from the write-off of the Carbovan investment of $5 million and losses from Midland Walwyn of $1.5 million.

Financial position

Since we began in September 1985, we stated that our objective was to achieve returns on shareholders' equity in excess of 20% while maintaining a sound financial position. For the past few years we have been concerned about bringing our debt position down. While we made progress in 1989, in 1990 it seems that our situation worsened. To further understand our financial position, it is best to look at the unaudited statements shown on page (@) 34 with Morden & Helwig equity accounted. Here's what our capital position looks like:

		$ million
Short and long term debt		31.5
Contingent debt (Note 8)		
- Federated contingent debt	20.4	
- Markel Corp contingent debt	13.6	
		34.0
Convertible debentures		7.5
Common equity		94.7
		167.7

Some points on the above:

1) Contingent Debt

The Markel Corporation debt will be extinguished with interest if the financial markets recover in the next two and a half years as described in Note 8. As of March 8, 1991 the market recovery has resulted in the note being reduced by $9 million. However, as we can reduce the note only once, we have to wait until the securities fully recover to extinguish the note. Our expectation though is that this will happen. It should be noted that when this debt is extinguished, common equity is increased accordingly as we have not included the contingent purchase price on our books (Note 3).

Federated contingent debt is subject to offset to the extent of adverse development in 1989 and prior reserves - very comparable to the debt on F-M Acquisition's balance sheet. Through the sale of F-M Acquisition, we have eliminated our liability for F-M's debt (which was not included on Fairfax's 1989 balance sheet) and added comparable contingent debt (which is included on Fairfax's 1990 balance sheet) through the purchase of Federated.

2) We expect the convertible debentures to be converted to equity at $19 per share prior

to April 30, 1993 - though it is debt until then.

3) We sold Sphere Reinsurance for a price in excess of $21 million but have had access to only $8 million of the proceeds to date. The remaining $13 million is in Chequers where we wrote only $2 million in net premiums in 1990. With the planned amalgamation of Markel, Otter Dorchester and Chequers, it is likely that we will be writing only $l of premium for every $2 of equity capital as opposed to the more normal $2 of premium for every $1 of capital. Excess capital in the merged Markel will likely be more than $20 million which, subject to regulatory approval, will be used to reduce our borrowings in the future.

4) We retired 1.84 million shares or 25% of the shares outstanding in 1990. We felt this was an excellent investment for Fairfax in relation to potential earnings and current book value per share.

However, if we had not retired these shares but had resold them at market prices, our equity capital would have been $22 million higher (at $12 per share) and our borrowings would have been reduced by a similar amount.

Thus our financial position has not changed as significantly as first impressions would indicate. However, we have decided not to make any more acquisitions <u>until</u> we have reduced our short and long term debt to less than $10 million.

INVESTMENTS

1990 was the worst year we have experienced in terms of investment results - particularly for value oriented investors like ourselves. The stocks that were cheap collapsed in the third quarter of 1990. Unlike past markets where the value oriented approach provided downside protection (at least vs the market), this did not happen in 1990. The unrealized loss in our portfolios increased significantly from $1.1 million at December 31, 1989 to $34 million at

December 31, 1990.

As emphasized in the past, we run our insurance businesses so that (a) unrealized losses do not affect our insurance company operations, and (b) we are not forced to sell securities at inappropriate times. In our 1988 Annual Report we discussed the guidelines "that limit our exposure to common stocks so that a 50% drop in the stock market and a 20% drop in convertibles and preferreds will not have any impact on our ability to continue to write insurance". When combined with reserve hits, stock market declines can be particularly dangerous. We are taking another look early in 1991 at our guidelines to better protect us on the downside.

The unrealized loss for our portfolios is broken down by major categories below:

	COST	MARKET	UNREALIZED LOSS
Cash and short term investments	$ 54.0	$ 54.0	$ --

Bonds	165.9	157.6	(8.3)
Preferred stocks	58.9	50.5	(8.4)
Common stocks	63.1	45.8	(17.3)
	$341.9	$307.9	(34.0)

As shown, the total unrealized loss is about 10% of the total portfolio. About half the loss is in common stocks and the rest is in fixed income securities.

As you know, Hamblin Watsa Investment Counsel (HWIC) manages Fairfax's insurance portfolios. Occasionally, an investment that HWIC buys for its clients, of which Fairfax is one, becomes a matter of public record. This is sometimes confused in the press as a Fairfax investment as opposed to an investment distributed across all Hamblin Watsa client portfolios. In the table following, we show holdings of common and convertible bonds in Fairfax insurance portfolios of the three names disclosed publicly by HWIC (Magna, Woodward's and Repap) and that have been reported in the press.

($ Millions)	COST	MARKET	UNREALIZED GAIN (LOSS)
Magna International Inc.			
384,300 common shares	3.4	1.1	(2.3)
$4,785,000 conv. debs 7% due 1993	3.4	2.5	(0.9)
TOTAL	6.8	3.6	(3.2)
Woodward's Limited			
698,388 common shares	2.4	0.9	(1.5)
$776,000 conv. debs. 10% due 2004	0.8	0.6	(0.2)
$200,000 conv. debs. 9% due 2000	0.2	0.1	(0.1)
TOTAL	3.4	1.6	(1.8)
Repap Enterprises Inc.			
105,000 common shares	0.9	0.5	(0.4)
$4,100,000 conv. debs. 9% due 1998	4.0	2.2	(1.8)
TOTAL	4.9	2.7	(2.2)
TOTAL	15.1	7.9	(7.2)

(Magna, Woodward's, Repap) ______ _____ ______

Thus, $7.2 million of the $34 million unrealized losses are in the three names mentioned above. The remaining unrealized losses are in a broadly diversified group of common stocks, preferreds and bonds.

We continue to feel that over the long term these unrealized losses will disappear and in fact, become realized gains.

Common shares in late 1990 were extraordinarily cheap in relation to earnings, assets and revenues and should provide good returns over time. As of March 5, 1991, unrealized losses in the total portfolio had declined to $16 million and for the three securities shown (@) above to $3.1 million.

Realized gains of $2.3 million in 1990 were net of realized losses of $1.1 million and a reserve for potential losses of $2.9 million. Gross realized gains were $6.3 million.

The major contributors to realized gains in 1990 were Nikkei Puts ($2.4 million) and Bank of Commerce ($0.4 million). The major realized losses included Bank of Montreal ($0.7 million).

No trees grow to the sky. Finally, in 1990 the Japanese market declined by 38.7%. The Taiwan market, where there was much more speculation, declined by 52.9% in 1990. As noted earlier, we benefitted by the decline in the Japanese market through the purchase of Nikkei Puts (not exactly value oriented?!). The Japanese and Taiwanese markets continue to sell at high price/earnings ratios of 38 and 29 times respectively.

At the end of 1990 we had $29.7 million invested in banks, insurance and financial service companies, $13.8 million in industrial products and $8.8 million in mining stocks.

In the 1987 Annual Report we discussed the interest free, five-year loans given to directors and officers of Fairfax and key officers of independent operating units. We said "unlike options, these shares are owned by the individuals and the positive or negative impact of share fluctuations is fully reflected in their economic net worth - just as it is for you." In Note 6 we show that we have loans of $9.6 million outstanding as of December 31, 1990 that were used to buy 664,982 Fairfax shares at an average price of $14.48 per share. At a 10% interest rate, the annual after tax cost to you is $536,000 or 10¢ per share. When the stock traded at $10 per share in 1990, the directors and officers of Fairfax and subsidiaries were not exactly smiling!

It is now a little more than five years since we took control of this company. It is very humbling to look back at the $9 million that we raised in September 1985 and to consider all the problems that this company has faced since then. We have had two stock market crashes in the last five years, a downcycle in insurance for at least half the period, surety losses of $21 million at Markel Insurance, losses from Midland Walwyn and other investment banking projects, and continued growing pains at Lindsey & Newsom. To add to this, you had a company undergoing a transition from being very small to medium sized and all that that entails for the organization.

With good people, much work and our share of fortune, book value has grown from $2.08 per share in December 1985 to $17.29 per share in December 1990 - a compounded growth rate of 53% annually. You know that <u>cannot</u> be repeated. Return on common equity has averaged 24% during this period - somewhat higher than our long term goal of 20%. By comparison, the TSE 300 group of companies earned 10.3% on average during the last five years. As an aside, our five-year average return on common equity of 24% places us among the top 5% of all the companies in the TSE 300. Shareholders' equity increased from $10 million as of December 31, 1985 to $95 million on December 31, 1990 - with very little new capital, as we retired 1.84 million of the 2 million new shares issued in May 1986. Prior to September 1985, the company had never made $1 million in net income; last year it made $21.3 million.

Our share price though has only risen from $3.00 in 1985 to $11.00 at year-end - a compounded rate of 30% annually, but much less than the growth of underlying book value.

At year-end 1990 our shares were selling at a 36% discount to book value per share as opposed to a 50% premium when we refinanced the company in September 1985. In early 1991 the discount decreased significantly. While these fluctuations in premiums or discounts to book value result in shareholder returns being greater or lower than returns earned by the company, in the long term these two returns should converge.

We expect to encounter as many problems in the future as in the past - and perhaps more - but we hope to continue to compound book value per share at rates in excess of 20% over the long term.

Tony Markel will be retiring this year as a director of Fairfax. Along with Steve Markel, Tony was instrumental in turning the company around in 1985 and since then has provided constant support and encouragement on our Board. Peter Bloemen retired from Trucena in 1990 and his successor, John Puddington will be joining us on the Board. Like Tony, Peter has been a pleasure to work with and has always been very supportive of the company and its interests. We wish both Tony and Peter all the very best and welcome John to our Board.

On your behalf, I would like to thank the Board, the management and employees of all our companies for making 1990 another excellent year under very challenging circumstances.

March 30, 1991

V. Prem Watsa
<u>Chairman of the Board and</u>
<u>Chief Executive Officer</u>

"L O G O"

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1990 AND 1989

CONSOLIDATED BALANCE SHEETS AS AT DECEMBER 31, 1990 AND 1989

	1990 ($000)	1989 ($000)
ASSETS		
Cash and short term investments (note 2)	53,972	13,221
Accounts receivable	97,259	25,189
Claims in process	12,616	8,493
Income taxes refundable	5,994	1,263
Prepaid expenses	6,599	1,030
	176,440	49,196
Portfolio investments		
Bonds - at amortized cost (market value - $157,649; 1989 - $30,948)..........	165,942	32,497
Preferred stocks (market value - $50,477; 1989 - $29,819)...........	58,888	32,415
Common stocks (market value - $45,759; 1989 - $58,793)...........	63,075	55,725

Total (market value - $253,885; 1989 - $119,560)	287,905	120,637
Investments in associated companies (note 3)	-	31,966
Other investments (note 4)	12,544	27,719
Deferred premium acquisition costs	5,505	876
Fixed assets (note 5)	20,375	5,348
Goodwill	24,587	4,922
Other assets (note 6)	14,768	7,401
	542,124	248,065

Signed on behalf of the Board

Printer:
Please insert signatures
of V. P. Watsa
and
Robbert Hartog
on these lines

______________________ Director

______________________ Director

	1990 ($000)	1989 ($000)
LIABILITIES		
Bank indebtedness (note 7)	8,771	4,051
Short term borrowings (note 7)	12,197	-
Accounts payable and accrued liabilities	44,877	15,561
Premium deposits	9,513	11,293
	75,358	30,905
Provision for claims	220,602	81,118
Unearned premiums	52,719	12,137
Contingent and other notes payable (note 8)	34,081	-
Long term debt (note 9)	34,107	14,431
Subordinated convertible debenture (note 10)	7,500	7,500
Deferred income taxes	6,378	442
Minority interest	16,703	10,702
	372,090	126,330

SHAREHOLDERS' EQUITY

Capital stock (note 11)	31,120	43,501
Retained earnings (note 14)	63,556	47,329
	94,676	90,830
	542,124	248,065

CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1990 AND 1989

	1990 ($000)	1989 ($000)
Revenue		
Premiums earned	78,427	40,444
Claims fees	58,281	49,092
Interest and dividends	20,704	11,628
Realized gains on investments	2,278	15,458
Equity in earnings of associated companies	6,657	6,367
Other income	2,087	2,765
Gain on sale of associated company (note 3)	26,996	-
	195,430	125,754
Expenses		
Losses on claims	65,932	40,174
Operating expenses	92,248	57,120
Interest expense	8,854	5,154
Commissions	5,158	4,102
	172,192	106,550
Earnings before income taxes	23,238	19,204

Provision for income taxes (note 13)	545	1,192
Earnings from operations	22,693	18,012
Minority interest	(1,387)	(1,271)
Net earnings	21,306	16,741
Earnings per share - fully diluted (note 17)	$ 2.92	$ 2.25

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1990 AND 1989

	1990 ($000)	1989 ($000)
Retained earnings - beginning of year	47,329	30,633
Net earnings for the year	21,306	16,741
Excess over stated value of shares purchased for cancellation (note 11)	(5,079)	(45)
Retained earnings - end of year	63,556	47,329

CONSOLIDATED STATEMENTS OF CHANGES IN CASH RESOURCES
FOR THE YEARS ENDED DECEMBER 31, 1990 AND 1989

	1990 ($000)	1989 ($000)
Operating activities		
Earnings from operations	22,693	18,012
Depreciation	950	1,428
Amortization of goodwill	464	719
Deferred income taxes	(967)	(637)
Realized gains on investments	(29,274)	(15,458)
Equity in earnings of associated companies	(6,657)	(6,367)
	(12,791)	(2,303)
Increase in provision for claims	(4,635)	9,154
Decrease in unearned premiums	(4,706)	(10,620)
Decrease (increase) in cash funds resulting from changes in other operating working capital items	5,898	(3,311)
Cash resources used in operating activities	(16,234)	(7,080)
Investing activities		
Portfolio investments - net sales	87,898	3,071
Purchase of fixed assets	(4,563)	(1,760)
Other investments	11,938	(1,824)

Purch

a s e
o f
subsi
diari
e s
.....
.....
.....
.....
.....
(95,700)

-

	(427)	(513)

Financing activities

Repurchase of capital stock (note 11)	(17,460)	(87)
Increase in long term debt	19,676	12,370
Increase in contingent notes payable	34,081	-
Minority interest	4,198	466

	40,495	12,749
Increase in cash resources	23,834	5,156
Cash resources - beginning of year	9,170	4,014
Cash resources - end of year	33,004	9,170

Cash resources consist of cash and short term investments less bank indebtedness and short term borrowings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1990 AND 1989
(in $000s except per share amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business operations

The company is a financial services holding company which through its subsidiaries and affiliates is engaged in the insurance of commercial property, oil and gas, casualty and life risks and the provision of claims adjusting and appraisal and loss management services in Canada and the United States.

Principles of consolidation

The consolidated financial statements include the accounts of the company and all of its subsidiaries: Markel Insurance Company of Canada, Sphere Management Company Limited, Federated Insurance Holdings of Canada Ltd., Rolfe Group Limited and its wholly owned subsidiary, Commonwealth Insurance Company all 100% owned; and Morden & Helwig Group Inc., 48% equity and 90% voting interest. The company's investments in associated companies are accounted for using the equity method. Acquisitions are accounted for by the purchase method, whereby the results of acquired companies are included only from the date of acquisition. Divestitures are included up to the date of disposal.

Premiums

Insurance premiums are taken into income evenly throughout the terms of the related policies. As premium deposits secure the payment of premiums and are refundable, they are not taken into income unless default in payment of premiums occurs.

Claims in process

The company records its inventory of claims in process at their estimated value at year-end, based on a determination of the claims in process at year-end through a complete physical count of related files. Claims fees arising therefrom are accounted for on an estimated percentage-of-completion basis.

Deferred premium acquisition costs

The costs incurred in acquiring insurance premiums are deferred, to the extent that they are considered recoverable, and amortized over the same period as the related premiums are taken into income.

Investments

Bonds are carried at amortized cost providing for the amortization of the discount or premium on a straight line basis to maturity. Preferred and common stocks are carried at cost. When there has been a loss in value of an investment that is other than temporary, the investment is written down to its estimated net realizable value.

Investment income

Investment income is recorded as it accrues. Dividends are recorded as income on the record date. Gains and losses realized on the disposal of investments are taken into income on the date of disposal.

Provision for claims

Claim provisions are established by the case method as claims are reported. The provisions are subsequently adjusted as additional information on the estimated amount of a claim becomes known during the course of its settlement. A provision is also made for management's calculation of factors affecting the future development of claims including claims incurred but not reported based on the volume of business currently in force and the historical experience on such claims.

Translation of foreign currencies

Assets and liabilities in foreign currencies are translated into Canadian dollars at year-end exchange rates. Income and expenses are translated at the exchange rates in effect at the date incurred. Realized gains and losses on foreign exchange are recognized in the statements of earnings.

Goodwill

The difference between purchase cost and the fair value of the net assets of acquired businesses is amortized on a straight line basis over its estimated useful life which ranges from 10 to 40 years.

2. CASH AND SHORT TERM INVESTMENTS

Cash and short term investments include $6,137 (1989 - $5,049) representing deposits held in trust, the liability for which is included in accounts payable.

3. INVESTMENTS IN ASSOCIATED COMPANIES

	1990	1989
Associated companies, at equity:	($000)	($000)
F-M Acquisition Corporation	-	22,362
Lindsey & Newsom Claim Services, Inc.	-	8,057
Vale National Training Center, Inc.	-	1,547

-	31,966

On December 18, 1990 the company sold its 47.5% common and its preferred share interest in F-M Acquisition Corporation ("F-M") with a carrying value of $34.7 million to Markel Corporation of Richmond, Virginia ("Markel Corporation"). In consideration the company received and cancelled 850,505 subordinate voting shares and 800,000 multiple voting shares previously held by Markel Corporation (note 11), preferred shares of Lindsey & Newsom Claim Services, Inc. of Tyler, Texas, having a par value of US $7 million, cash of US $33.5 million, and a contingent note receivable of US $11.5 million (note 8). The contingent note receivable has not been included in the calculation of the gain on sale nor has it been recorded in the accounts.

Effective December 18, 1990 the company's 48% owned subsidiary, Morden & Helwig Group Inc., acquired the remaining 50% common share interest in Lindsey & Newsom Claim Services, Inc. and the remaining 51.5% common share interest in Vale National Training Center, Inc. both of Tyler, Texas from Markel Corporation. These transactions have been accounted for by the purchase method. The operating results were equity accounted in 1989 and to the date of acquisition and consolidated thereafter.

Total combined assets of Lindsey & Newsom and Vale were $16.1 million and total liabilities were $12.8 million as at December 31, 1990. In consideration, Markel Corporation received US $4.15 million cash and 595,922 subordinate voting shares of Morden & Helwig Group Inc. valued at $4.8 million. The excess of the purchase price over the fair market value of the net assets purchased has been allocated to goodwill. The consolidation of Lindsey & Newsom and Vale with Morden & Helwig has resulted in a $19 million increase in goodwill.

Lindsey & Newsom provides independent insurance claims adjusting and medical rehabilitation services to insurance companies, insurance agencies and self-insured organizations in 31 states. Vale National provides claims adjusting training courses in 3 states.

A summary of Morden & Helwig Group Inc.'s consolidated balance sheets and statements of earnings is as follows:

BALANCE SHEETS

	December 31, 1990 ($000)	December 31, 1989 ($000)
Accounts receivable	24,027	10,396
Claims in process	12,616	8,493
Fixed assets	13,486	3,176
Goodwill	19,362	6,265
Other assets	11,721	1,929
Investment in Lindsey & Newsom and Vale	-	10,686
Total assets	81,212	40,945
Accounts payable	13,125	6,946
Short term debt	13,860	4,832
Deferred compensation	6,061	-
Long term debt	13,678	1,841
Shareholders' equity	34,488	27,326
Total liabilities and shareholders' equity	81,212	40,945

STATEMENTS OF EARNINGS

	Year Ended December 31, 1990 ($000)	Year Ended December 31, 1989 ($000)
Revenues	58,224	49,092
Variable expenses	37,100	30,599
Other expenses	16,096	13,692
Earnings before income taxes	5,028	4,801
Income taxes	2,205	2,031
Equity earnings	225	44
Net earnings	3,048	2,814

4. OTHER INVESTMENTS

Other investments, at cost:	1990 ($000)	1989 ($000)
Midland Walwyn Inc. - 12.5% subordinated debentures, due 1993, convertible into common shares at $14 per share	8,675	8,350
Fairfax Realty Inc.	3,127	1,504

F-M Acquisition Corporation (note 3)	-	10,274
Others	742	11
Other investments, at equity:		
Midland Walwyn Inc. - common shares	-	3,105
Carbovan Inc. (note 15)	-	4,475
	12,544	27,719

Midland Walwyn Inc. - Common shares:

On December 21, 1990 an agreement in principle was reached to sell the common share interest in Midland Walwyn Inc. to Confederation Life. These financial statements reflect the disposal of this interest. The final agreement is expected to be completed in February 1991.

Fairfax Realty Inc.:

This company owns a 75% interest in a shopping mall in Calgary, Alberta. The investment is shown net of a 12.375% mortgage of $2.8 million, due June 1994, which is non-recourse to Fairfax Financial Holdings Limited and for which the shopping mall has been pledged as security.

5. FIXED ASSETS

	1990 ($000)	1989 ($000)
Land and buildings	4,811	1,542
Furniture and equipment	21,505	9,797
Leasehold improvements	1,331	935
Automobiles under capital lease	3,446	-
	31,093	12,274
Accumulated depreciation	10,718	6,926
	20,375	5,348

6. OTHER ASSETS

Included in other assets are non-interest bearing loans to officers and directors of the company and its subsidiaries under the company's employee stock purchase plans totalling $9,631 (1989 - $7,348) for which 664,982 shares (1989 - 512,000 shares) with a year-end market value of $7,315 (1989 - $9,600), have been pledged as security.

7. BANK INDEBTEDNESS AND SHORT TERM BORROWINGS

Bank indebtedness includes temporary operating loans of $4,380 (1989 - $2,316) the security for which is a general assignment of book debts of a subsidiary. Short term borrowings include the current portion of long term debt and a short term loan of $6,761 (1989 - nil) due June 30, 1991 of the parent company. The security for this loan is the same as the security for the bank loans under long term debt (note 9). Interest expense on bank indebtedness and short term borrowings amounted to $3,507

(1989 - $1,954).

8. CONTINGENT AND OTHER NOTES PAYABLE

These include two 9.625% contingent notes payable to Federated Mutual Insurance Company for $10.2 million due March 21, 1995 and $10.2 million due March 21, 2000, which are subject to reduction based on development of unpaid claims (note 18). The shares of Federated Insurance Company of Canada and Federated Life Insurance Company of Canada, wholly owned subsidiaries of Federated Insurance Holdings of Canada Ltd., have been pledged as security for the notes.

As part of the sale of F-M to Markel Corporation, Fairfax received cash in exchange for a note payable of US $11.5 (Cdn $13.6) million. This note is repayable by June 18, 1993 but the amount may be offset partially or in full by a note receivable (note 3) contingent on F-M's US $162 million investment portfolio recovering in market value by US $23 million. Both the note payable and the contingent note receivable bear interest at U.S. prime plus 1%. As of February 8, 1991 the portfolio value has recovered to the extent that the value of the contingent note receivable was US $6 million.

9. LONG TERM DEBT

The long term debt primarily represents a revolving credit facility due April 27, 1994 and various U.S. dollar bank loans of a subsidiary at the current average annual rate of 9.4%. Shares of two subsidiary insurance companies and assets of another subsidiary have been pledged as security for the loans. Interest expense on long term debt amounted to $4,709 (1989 - $2,561).

Principal repayments on these loans are as follows:

1991	$ 3,485
1992	4,086
1993	2,286
1994	26,092
1995	1,231
Thereafter	412
	$37,592

10. SUBORDINATED CONVERTIBLE DEBENTURE

The debenture bears interest at a rate of 8.5% per annum, matures on April 30, 1993, is convertible until maturity into subordinate voting shares of Fairfax at $19 per share, and is prepayable under certain circumstances. Interest expense on the debenture amounted to $638 (1989 -$638).

11. CAPITAL STOCK

Authorized capital

The authorized share capital of the company consists of an unlimited number of preferred shares issuable in series, an unlimited number of multiple voting shares carrying ten votes per share and an unlimited number of subordinate voting shares carrying one vote per share.

Issued capital

	1990		1989	
	Number	($000)	Number	($000)
Subordinate voting shares	3,928,797	26,120	4,968,200	35,917
Multiple voting shares	1,548,000	5,000	2,348,000	7,584
	5,476,797	31,120	7,316,200	43,501

On December 18, 1990 the company received and cancelled 800,000 multiple voting and 850,505 subordinate voting shares as partial consideration for the sale of F-M to Markel Corporation (note 3). The value attributed to these shares was $14,855 based on a $9 share price on the date the transaction was completed of which $3,881 was charged to retained earnings.

In addition, under the terms of a normal course issuer bid approved by The Toronto Stock Exchange the company purchased and cancelled 188,898 (1989 - 6,000) subordinate voting shares for an aggregate cost of $2,605 (1989 -$87), of which $1,198 (1989 - $45) was charged to retained earnings.

12. REINSURANCE

The company follows the policy of underwriting and reinsuring contracts of insurance which generally limits the liability of the company to a maximum amount on any one loss to $500. Reinsurance is generally placed on an excess of loss basis in several layers. This reinsurance does not relieve the company of its primary obligation to the policyholders. As at December 31, 1990 provision for claims reflects recoveries from reinsurers of $175,453 (1989 - $16,256). During the year, the company ceded $19,794

(1989 - $9,274) of premium income and $40,740 (1989 - $5,426) of claims incurred.

13. INCOME TAXES

The provision for income taxes in the consolidated statements of earnings includes a recovery of deferred income taxes of $854 (1989 - $637). The provision for income taxes differs from the statutory marginal rate as certain sources of income are exempt from tax or are taxed at other than the marginal rate.

A reconciliation of income tax calculated at the statutory marginal tax rate with the income tax provision at the effective tax rate in the financial statements is summarized below:

	1990	1989
	$	$
Provision for taxes at Canadian statutory marginal income tax rate	10,294	8,508
Non-taxable capital gains	(3,242)	(2,282)
Non-taxable investment income	(1,201)	(2,260)
Equity earnings of associated companies	(2,949)	(2,821)
Utilization of prior years' losses	(2,357)	-
Other - net	-	47
Provision for income taxes at effective rate	545	1,192

14. STATUTORY REQUIREMENTS - INSURANCE SUBSIDIARIES

Payments of dividends by the company's insurance subsidiaries and affiliates are governed by insurance statutes and regulations.

15. CONTINGENCIES AND COMMITMENTS

Subsidiaries of the company are defendants in several damage suits and have been named as third party in other suits. The uninsured exposure to the company is not considered to be material.

The company has a joint and several agreement with Agra Industries Limited to guarantee a $6,000 (1989 - $6,000) loan by the Alberta Opportunity Company and a $5,500 (1989 - Nil) bank operating line of credit made to Carbovan. The company has also guaranteed repayment of borrowed funds of Develcon Electronics Ltd. for $1,000 (1989 - $1,000). These guarantees are secured by certain assets of each of the investee companies.

16. OPERATING LEASES

Aggregate future commitments at December 31, 1990 under operating leases relating to premises, automobiles and equipment for various terms up to 10 years are as follows:

1991	$ 7,666
1992	6,542

1993	4,898
1994	3,768
1995	2,342
Thereafter	3,841
	$29,057

17. EARNINGS PER SHARE

Earnings per share on the consolidated statements of earnings have been presented on a fully diluted basis. Basic earnings per share are $2.99 for 1990 and $2.29 for 1989. The weighted average number of shares for 1990 was 7,524,283 (1989 - 7,712,000) on a fully diluted basis.

18. ACQUISITIONS

On March 21, 1990 the company purchased Federated Insurance Holdings of Canada Ltd. from Federated Mutual Insurance Company of Owatonna, Minnesota. The purchase price of $28.6 million for common equity of $27 million was paid with two 9.625% contingent notes of $10.2 million each, maturing in five and ten years, and $8.2 million cash. The notes are subject to reduction based on development of unpaid claims (note 8). Federated Insurance Holdings of Canada Ltd. had $116 million in total assets and $89 million in total liabilities as at March 21, 1990. The excess of the purchase price paid over the fair value of net assets acquired was allocated to provision for claims. Federated is engaged in property and casualty and life insurance business in Canada.

On November 14, 1990 the company purchased Commonwealth Insurance Company of Vancouver, British Columbia from The Home Insurance Company, a subsidiary of AmBase Corporation, for US $49.35 (Cdn $57.5) million. Commonwealth Insurance had $209.7 million in total assets, $141.9 million in total liabilities and $67.8 million in equity as at October 31, 1990. The excess of the fair value of net assets acquired over the purchase price paid was allocated $5 million to investments and $5.3 million to provision for claims. Commonwealth is engaged in commercial property and oil and gas insurance in Canada, the United States and internationally, and commercial casualty insurance in Canada.

19. RELATED PARTY TRANSACTIONS

During the year the company and its subsidiaries purchased investment counselling services, in the normal course of business and on normal market terms, from Hamblin Watsa Investment Counsel Ltd., a company in which an officer of the company has significant interests. The cost of these services amounted to $784 in 1990 (1989 - $801).

20. SEGMENTED INFORMATION

The company is a financial services holding company which through its subsidiaries and affiliates is engaged in the insurance of commercial property, oil and gas, casualty and life risks and the provision of claims adjusting and appraisal and loss management services in Canada and the United States.

(a) Industry segments

	Insurance		Claims Adjusting, Appraisal and Loss Management		Corporate and Consolidation Adjustments		Consolidated	
	1990 ($000)	1989 ($000)	1990 ($000)	1989 ($000)	1990 ($000)	1989 ($000)	1990 ($000)	1989 ($000)
Revenue	101,639	74,975	58,449	49,414	35,342	1,365	195,430	125,754
Equity earnings	4,533	7,240	255	44	1,869	(917)	6,657	6,367
Earnings before income taxes	12,627	18,076	5,253	4,845	5,358	(3,717)	23,238	19,204
Identifiable assets	447,590	154,677	81,449	40,945	13,085	52,443	542,124	248,065
Depreciation and amortization	7	346	987	1,148	420	555	1,414	2,149

Interest expense	256	309	668	3 6 3
	7,930 4,482	8,854	5,154	

(b) Geographic segments

A majority of the company's earnings are derived from operations which are located in Canada, with the exception of equity earnings which are earned in the United States (F-M Acquisition Corporation, Lindsey & Newsom Claim Services, Inc. and Vale National Training Center, Inc. - note 3).

February 14, 1991

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Fairfax Financial Holdings Limited as at December 31, 1990 and 1989 and the consolidated statements of earnings, retained earnings and changes in cash resources for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1990 and 1989 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Coopers & Lybrand
Chartered Accountants
Toronto, Ontario

February 14, 1991

REPORT OF THE PROPERTY-CASUALTY VALUATION ACTUARY

The Wyatt Company has made the valuation of the net claims liabilities of the subsidiary general insurance companies of Fairfax Financial Holdings Limited for Fairfax's consolidated balance sheet at December 31, 1990 and its consolidated income statement for the year then ended, except for the Commonwealth Insurance Company for which we have relied upon the valuation made by Eckler Partners Limited. In our opinion:

(i) the amount of claim liabilities in the consolidated balance sheet makes proper provision for future payments under the subsidiary companies' policies for the net retention on claims incurred prior to January 1, 1991; and

(ii) a proper charge on account of those liabilities has been made in the consolidated income statement.

The Wyatt Company
Actuaries and Consultants

FAIRFAX INSURANCE COMPANIES
CONDENSED BALANCE SHEETS AS AT DECEMBER 31, 1990 AND 1989
(unaudited)

	1990 ($000)	1989 ($000)
ASSETS		
Cash and short term investments	55,982	13,075
Accounts receivable	75,310	14,405
Income taxes refundable	7,228	1,263
	138,520	28,743
Portfolio investments		
Bonds-at amortized cost	168,942	32,497
Preferred stocks - at cost	60,295	31,883
Common stocks - at cost	63,593	56,269
Total portfolio	292,830	120,649
Deferred premium acquisition costs	5,505	876
Fixed assets	3,841	

		1,861
Other assets	6,894	2,548
TOTAL ASSETS	447,310	154,677
LIABILITIES		
Accounts payable and accrued liabilities	24,432	9,589
Premium deposits	9,513	11,293
	33,945	20,882
Provision for claims	217,023	81,118
Unearned premiums	52,719	12,137
Deferred income taxes	6,309	0
	276,051	93,255
SHAREHOLDERS' EQUITY		
Capital stock	68,209	14,605

Retained earnings	69,385	25,935
	137,594	40,540
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	447,590	154,677

These statements are straight additions of each insurance company's financial statements and do not consider eliminating entries or purchase adjustments which are included in the consolidated financial statements of Fairfax Financial Holdings Limited.

FAIRFAX INSURANCE COMPANIES
CONDENSED STATEMENTS OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1990 AND 1989
(unaudited)

	1990 ($000)	**1989 ($000)**
Revenue		
Premiums earned	78,427	40,444
Interest and dividends	19,290	9,198
Realized gains on investments	1,308	14,506

Equity earnings	4,533	7,240
Other income	(1,919)	3,587
	101,639	74,975
Expenses		
Losses on claims	63,986	40,604
Operating expenses	19,868	12,193
Commissions	5,158	4,102
	89,012	56,899
Earnings before income taxes	12,627	18,076
Provision for income taxes	1,660	839
Net earnings	14,287	18,915

These statements are straight additions of each insurance company's financial statements and do not consider eliminating entries or purchase adjustments which are included in the consolidated financial statements of Fairfax Financial Holdings Limited.

FAIRFAX WITH EQUITY ACCOUNTING OF MORDEN & HELWIG
CONSOLIDATED BALANCE SHEETS AS AT DECEMBER 31, 1990 AND 1989
(unaudited)

	1990 ($000)	1989 ($000)
ASSETS		
Cash and short term investments	53,796	13,071
Accounts receivable	75,344	16,312
Income taxes refundable	7,228	1,263
Prepaid expenses	5,037	335
	141,405	30,981
Portfolio investments		
Bonds - at amortized cost	165,942	32,497
Preferred stocks - at cost	58,295	31,833
Common stocks - at cost	63,075	55,725
Total	287,312	120,055

Investment in Morden & Helwig	24,304	14,764
Investments in associated companies		-
22,360		
Other investments		12,044
27,219		
Deferred premium acquisition costs		5,505
876		
Fixed assets		4,031
2,172		
Other assets		9,705
7,401		
TOTAL ASSETS	484,306	225,828

LIABILITIES

Bank indebtedness		297
57		
Short term borrowings		6,761
-		
Accounts payable and accrued liabilities		29,237
10,355		
Premium deposits		9,513
11,293		
	45,808	21,705
Provision for claims		220,602
81,118	Unearned	premiums
....	52,719	12,137

Contingent notes payable	34,081	-
Long term debt	24,779	14,431
Subordinated convertible debenture	7,500	7,500
Deferred income taxes	4,141	(1,893)
	343,822	113,293
SHAREHOLDERS' EQUITY		
Capital stock	31,120	43,501
Retained earnings	63,556	47,329
	94,676	90,830
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	484,306	225,828

These statements are disclosed to show the effect of accounting for our 48% equity owned subsidiary, Morden & Helwig Group Inc., using the equity basis versus consolidation as used in the audited financial statements of Fairfax Financial Holdings Limited.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(in 000s except per share amounts)

Sources of Revenues

Revenues reflected in the consolidated financial statements include premiums earned and investment income of the insurance companies, claims fees from Morden & Helwig and gains on sale of associated companies and other miscellaneous income. The following table summarizes the total revenues derived from these categories from date of acquisition for the past six years:

Lines of Business	1990 (000s)	1989 (000s)	1988 (000s)	1987 (000s)	1986 (000s)	1985 (000s)
Insurance	101,639	74,975	88,512	73,241	46,515	16,963
Claims adjusting	58,449	49,414	44,157			

	39,316	6,850	0
Equity and Other income	35,342	1,365	9 8 0
	414	368	0
	195,430	125,754	1 3 3 , 6 4 9
	112,971	53,733	16,963

Sources of Net Earnings

The equity accounted F-M Acquisition resulted in significant sources of income, particularly in 1990 when our interest in F-M Acquisition was sold resulting in a gain on sale of $26,996. Sources of total net earnings on a pre-tax basis with the total tax effect to the company and its consolidated subsidiaries shown as a separate item, were as follows for the past six years:

Sources of Net Earnings	1990(1)	1989	1 9 8 8

	1987		1986		1985	
	(000s)		(000s)		(0 0 0 s)	
	(000s)		(000s)		(0 0 0 s)	
Insurance	3,885		(3,370)		6,468	8,539
	9,594	(1,122)				
Equity accounted insurance	31,530		7,240	6,729	18	0
		0				
Total insurance	35,415		3,870	13,197	8,557	9,594
	(1,122)					
Claims adjusting	1,688		1,543	1,454	5,849	539
		0				
Investment banking	(6,370)		(1,439)		0	0
	0			0		
Interest and corporate expenses	(11,160)		(1,499)		(2 , 7 9 9)	
	(1,668)		(353)		(277)	
Net realized investment gains		2,278		15,458	7,802	9,159
	952	459				
Net earnings before taxes		21,851		17,933	19,654	21,897
	10,732	(940)				
Provision for income taxes		545		1,192	5,297	5,878
	4,184	(30)				

Net earnings	21,306	(910)	16,741	14,357	16,019	6,548

(1) In 1990 insurance income includes an investment reserve of losses, investment banking results include a provision for Carbovan Inc. of $5 million, and interest and corporate expenses include a general provision of $5 million.

Results of Operations 1990/89

Total revenue of $195.4 million increased $69.6 million or 55% over 1989 revenue of $125.8 million. Net earnings were $21.3 million or $2.92 per share fully diluted, $4.6 million or 67¢ per share higher than 1989 earnings of $16.7 million or $2.25 per share. In 1990 net earnings included a non-recurring item of $27 million related to a gain on sale of an associated company, F-M Acquisition Corporation.

The property and casualty insurance environment in general experienced another year of poor underwriting results. Fairfax's insurance subsidiaries recorded underwriting losses of $12.4 million in 1990 compared to losses of $11.9 million in 1989.

Despite this adverse operating environment, the company achieved a satisfactory return on equity of 23% compared to 20.3% last year.

Realized gains on the disposal of portfolio securities in 1990 totalled $2.3 million, a $13.2 million or 85% decrease from the $15.5 million of gains in 1989. At December 31, 1990 the Fairfax investment portfolio had an unrealized loss of $34 million compared to an unrealized loss of $1.1 million at December 31, 1989. As of March 5, 1991 this had decreased to $16 million.

Individually the subsidiary companies performed satisfactorily with the exception of Markel Insurance which had an unacceptable underwriting loss of $8.3 million due primarily to surety losses.

Interest expense increased in 1990 to $8.9 million from $5.2 million as a result of financing the Federated Insurance and Commonwealth Insurance acquisitions. The effective tax rate of 2.3% in 1990 is lower than the 1989 rate of 6.2% because of the utilization of current year tax losses and prior years' tax loss carry forwards. The amount of loss carry forwards remaining at December 31, 1990 is not significant.

Results of Operations 1989/1988

Total revenue of $125.8 million was $7.8 million or 6% lower than 1988 revenue of $133.6 million. Net earnings were $16.7 million or $2.25 per share compared with 1988 net earnings of $14.4 million, an increase of $2.3 million or 16% and 31¢ per share. The company achieved a satisfactory net income and a return on average equity of 20.3% compared with 21.2% in 1988.

Markel Insurance incurred an underwriting loss of $14 million in 1989, compared to a $1 million loss in 1988, due mainly to surety losses.

Realized gains on the disposal of portfolio securities in 1989 totalled $15.5 million, a $7.7 million or 99% increase over the $7.8 million of gains in 1988. At December 31, 1989 the Fairfax investment portfolio had an unrealized loss of $1.1 million compared with an unrealized gain of $5.2 million at December 31, 1988.

Interest expense increased to $5.2 million from $2.2 million in 1988 as a result of financing the Walwyn purchase and the other investment banking projects. The effective tax rate of 6.2% in 1989 was significantly lower than in 1988 as certain sources of income were exempt from tax or were taxed at other than the marginal rate.

Insurance Operations

Insurance Premiums Earned and Insurance Underwriting Gain (Loss) Ratios

Net premiums written and earned and the loss, expense and combined ratios for the past six years have been as follows:

	NET PREMIUMS		RATIOS		
	Written (000s)	Earned (000s)	Losses %	Expenses %	Combined %
1985	23,415	14,049	96	30	126
1986	55,992	40,885	72	23	95
1987	71,378	62,012	73	25	98
1988	68,224	66,265	73	19	92
1989	35,477	40,444	100	40	140
1990	91,487	78,427	82	31	113

The combined loss and expense ratio is the traditional measure of underwriting results of property and casualty companies. In any year when the ratio exceeds 100, it generally indicates that unprofitable business has been underwritten.

The following table sets forth the net premiums written and earned by the insurance companies in each of the past three years. Federated and Commonwealth were not included in the consolidated financial statements until their respective dates of acquisition.

		1990 (000s)	1989 (000s)	1988 (000s)
Operational area				
Commercial auto, general liability [1] ...	Written	15,654	28,795	41,677
	Earned	19,938	31,980	42,006
Farm and reinsurance run off [2]	Written	10,393	6,682	26,547
	Earned	10,287	8,464	24,259
Direct commercial lines [3]	Written	40,012	-	-
	Earned	40,858	-	-
Commercial property and casualty [4]	Written	25,428	-	-

	Earned	7,344	-	-
Totals	Written	91,487	35,477	68,224
	Earned	78,427	40,444	66,265

(1) Markel Insurance Company of Canada Limited
(2) Otter Dorchester Insurance Company, Chequers Insurance Company and Wentworth Insurance Company (Barbados)
(3) Federated Insurance Company of Canada and Federated Life Insurance Company of Canada
(4) Commonwealth Insurance Company

The total underwriting profit (loss) for the insurance companies for the past three years is shown in the following table:

	1990 (000s)	1989 (000s)	1988 (000s)
Commercial auto, general liability	(8,708)	(96)	(1,172)
Farm and reinsurance run off	(234)		

(1,049)	(822)		
Direct commercial lines	-	-	(2,472)
Commercial property and casualty	-	-	(1,997)
350	(12,598)		(11,915)

Investment Banking

Our investment banking division has participated in three projects, being Midland Walwyn Inc., a stock brokerage firm; the Carbovan Inc. project, a vanadium product manufacturer and Fairfax Realty Inc.'s real estate investment.

Effective May 31, 1990 Walwyn Inc. amalgamated with Midland Doherty Financial Corporation resulting in a dilution of our interest in the new Midland Walwyn Inc. to 18.9% on a fully diluted basis. Therefore, in March we changed our accounting policy for the Midland Walwyn investment to cost from equity basis. In December 1990 Confederation Life entered into an agreement with Fairfax whereby they would exchange the $10 million debenture payable by Faircross, a subsidiary of Fairfax, to Confederation Life for the 1,048,942 Midland Walwyn shares held by Faircross. This transaction was recorded in the financial statements as of December 31, 1990, and there was no material effect on profit in the last quarter of 1990 as we had previously written off our investment in Faircross.

The Carbovan Inc. vanadium manufacturing project continued to experience difficulty in 1990. This project is equity accounted and our investment has been written off. There are two guarantees into which Fairfax has entered with Agra Industries, of which Fairfax's portion is $5.8 million. It is expected that this project will be sold, and proceeds will be used to reduce bank loans.

Investment banking's third project, Fairfax Realty Inc., is a real estate holding company whose main project is the redevelopment of Village Square, a Calgary shopping mall. The renovations are completed and the project will be fully leased in 1991. We are in the process of refinancing the property during this period of lower interest rates.

Investment banking's future objectives are to oversee the management of the remaining projects. There are no intentions to add any new projects in the future.

<u>Interest and Dividend Income</u>

The majority of interest and dividend income is earned by the insurance companies. The continuing growth in this category of income was the result of increased investments. The Commonwealth and Federated acquisitions added $129,751 and $100,837 respectively to the investment portfolio at the end of 1990. The Commonwealth portfolio was acquired in November 1990, therefore interest and dividend income was included for two months only in 1990.

	Average Investments at cost	Interest and Dividend Income	Average Per Cent Earned
1985	29,060	2,455	8.45

1986	64,181	4,678
		7.29
1987	109,825	8,042
		7.32
1988	130,782	8,922
		6.82
1989	135,703	11,628
	8.57	
1990	237,868	20,704
	8.70	

The average per cent earned declined in 1988 as a result of the increase in that year in the average investments in preferred and common stock relative to the average investment in bonds. The converse was true in 1989 and 1990: the income yield on bonds tends to exceed that on stocks. Investments for the past six years are categorized in the following table, at the average of their carrying values at the beginning and end of each year:

Cash and

	Short Term Investments	Bonds	Preferreds	Common	Total
1985	10,526	15,388	732	2,414	29,060
1986	16,605	24,523	7,979	15,074	64,181
1987	28,025	26,242	16,516	39,042	109,825
1988	29,843	23,575	25,191	52,173	130,782
1989	20,623	28,528	32,212	54,340	135,703
1990	33,596	99,220	45,652	59,400	237,868

Return on Investment Portfolio

The following table shows the performance of the investment portfolio for the past six years. The total return includes all interest and dividend income, realized gains on the disposal of securities and the change in the unrealized gains (losses) during the year.

Average	Dividends	Change in Unrealized	Total Return

	Investments at cost	and Interest Earned	Realized Gains	Gains (losses)	on Average Investment	Percentage Return
1985	29,060	2,455	459	878	3,792	13%
1986	64,181	4,678	952	(352)	5,278	8%
1987	109,825	8,042	9,159	(7,976)	9,225	8%
1988	130,782	8,922	7,802	12,131	28,855	22%
1989	135,703	11,628	15,458	(6,272)	20,814	15%
1990	237,868	20,704	2,278	(32,943)	(9,961)	(4%)

The company expects continuing fluctuations in the stock market and continues to maintain its long term value oriented investment philosophy.

Liquidity

The normal cash requirements of the company continue to be covered by internally generated funds. A major source of funds is the payment of dividends by the company's insurance subsidiaries which are governed by insurance statutes and regulations. The total allowable dividend available to Fairfax in 1991 exceeds $10 million. The consolidated statement of changes in cash resources (cash and short term investments less bank indebtedness and short term borrowings) lists the cash resources provided by or used in operating, investment and financing activities. Cash resources increased by $24 million to $33 million in 1990. The main objective of the company in 1991 is to reduce the total debt outstanding.

Of the total bank indebtedness and short term borrowings of $21 million, Morden & Helwig, a 48% owned subsidiary has a $14 million debt obligation. Morden & Helwig's portion of the long term debt of $34 million is $9 million. Fairfax has the flexibility to use U.S. dollar denominated loans to finance its operations. As at

December 31, 1990 the short term debt obligation of Fairfax of $6.7 million was composed of a US $5.8 million denominated loan with an average annual interest rate of 10.5%. Fairfax is also responsible for long term debt of $25 million, under a revolving credit facility due April 27, 1994 consisting of libor loans totalling US $21 million with an average interest rate of 9.3%.

The contingent notes payable consisted of two $10.2 million 9.625% notes payable to Federated Mutual Insurance Company of Owatonna, Minnesota, which are subject to reduction based on development of unpaid claims. Also included is US $11.5 million payable to Markel Corporation relating to the sale of F-M Acquisition. This payable can be offset by a note receivable contingent on F-M Acquisition's US $162 million investment portfolio recovering in market value by US $23 million. As of March 8, 1991 the portfolio value had recovered to the extent that the value of the contingent note receivable was US $9 million. This receivable had not been recorded in our books in 1990.

During 1990 long term debt increased by $20 million and contingent and other notes payable increased by $34 million. This was a result of purchasing two insurance companies, Commonwealth and Federated, and the remaining one-half interest in Lindsey & Newsom by Morden & Helwig. The parent company had a $30 million revolving line of credit of which $24.8 million was used and $3 million allocated to letters of credit outstanding. There was also a $9 million line of credit due June 30, 1991, of which $6.7 million was utilized at year-end.

Capital Resources

Since the total debt to equity ratio of 0.87:1, up from 0.2:1 in 1989, is higher than in past years, our main objective for 1991 is to reduce total debt outstanding so that we can take advantage of future opportunities. At the Fairfax entity level, cash flows are dependent on its insurance companies' ability to pay dividends. Other investments made by the entity will be sold during 1991 with the proceeds applied to outstanding debt. The company believes it is in a position to meet all expected cash requirements with its existing resources.

A significant event in 1990 was the cancellation of 1,839,403 subordinate voting shares of Fairfax through the sale of F-M Acquisition and through an issuer bid on The Toronto Stock Exchange. The cancellation represented 25% of the outstanding shares of the company. The 1,650,505 shares cancelled in respect of the F-M transaction were valued at $9 per share based on the trading value on the date the transaction was completed.

Divestiture

During 1990 the company sold its 47.5% common and its 62.5% preferred share interest in F-M Acquisition Corporation with a carrying value of $34.7 million to Markel Corporation of Richmond, Virginia. The sale resulted in a $27 million gain. A further US $11.5 million of proceeds is contingent upon the recovery of F-M's investment portfolio by US $23 million within the next 2.5 years. Taxes payable relating to the gain on sale were minimal due to prior and current year tax losses available. As of March 8, 1991 the portfolio value had recovered to the extent that the value of the contingent note receivable was US $9 million. We expect that the portfolio will fully recover and at that time the contingent proceeds will be recognized in the income statement.

Acquisitions

As discussed in note 18 of our financial statements we made two significant acquisitions during 1990. Federated Mutual Insurance Company of Owatonna, Minnesota sold us its Canadian branch operations including Federated Insurance Holdings of Canada Ltd. and its subsidiaries, Federated Insurance Company of Canada, a property and casualty insurer and Federated Life Insurance Company of Canada, a life insurer. We paid a total of $28.6 million consisting of two 9.625% contingent notes of $10.2 million each, maturing on March 21, 1995 and March 21, 2000 and $8.2 million cash. The notes are subject to reduction, based on development of unpaid claims. At the date of purchase, Federated Insurance Holdings of Canada Ltd. had $116 million in total assets, $89 million in total liabilities and $27 million of common equity. As at December 31, 1989 the company had an unrecorded pension surplus of $3 million and unused income tax deductions of $6 million which are available for offset against taxable income in the future. We believe that this was a good opportunity for our company to expand at an attractive price of 0.9 times the adjusted book value.

On November 14, 1990 the company purchased Commonwealth Insurance Company of Vancouver, British Columbia from Home Insurance Company for US $49.35 (Cdn $57.5) million. Commonwealth wrote $141 million in gross premiums in 1990. The company is engaged in commercial property and oil and gas insurance in Canada, the United States and internationally, and commercial casualty insurance in Canada. The price paid was 0.8 times book value.

During December 1990 the company's 48% owned claims adjusting subsidiary, Morden & Helwig, acquired the remaining 50% common share interest in Lindsey & Newsom Claim Services, Inc. and the remaining 51.5% common share interest in Vale National Training Center, Inc., both of Tyler, Texas. The purchase price of the remaining interest was identical to the original purchase price of the initial purchase three years ago. These acquisitions are a strategic addition which has expanded the Morden & Helwig Group from 147 offices in Canada in 1989 to 342 offices internationally at the end of 1990. Total combined revenues for 1990 would have been $117 million if the companies had been consolidated at the beginning of the year versus $58 million recorded in our financial statements.

The consolidation of Lindsey & Newsom and Vale, plus the prices paid for these companies, has resulted in goodwill increasing on our consolidated balance sheet by $19 million. This goodwill amount is consistent with the goodwill that would arise with the purchase of any service business of this size. We feel that the price paid was appropriate and will allow us the opportunity to build a stronger and more profitable international claims company.

Risks

The two major risks or unknowns facing the company are the volatility of the insurance cycle and the stock market. In the short term at least the company does not expect an improvement in the insurance marketplace. In Ontario, the government is considering the privatization of automobile insurance. Privatization would likely result in the loss of $15 million in premiums written by Federated, Chequers and Markel Insurance companies. The company expects continuiung fluctuations in the stock market as evidenced by the significant increases from December 31, 1990. As a result the unrealized losses on our investment portfolio have decreased to approximately $16 million as at March 5, 1991. We continue to be long term value oriented investors.

A reader of this Management Discussion and Analysis should review the entire annual report for additional commentary and information.

CONSOLIDATED FINANCIAL SUMMARY ($000 except per share amounts)

For the years ended December 31	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981
REVENUES										
Premiums earned	78,427	40,444	66,265	62,012	40,885	14,049	16,616	19,621	14,443	10,676
Claims fees	58,281	49,092	43,349	33,529	6,850	-	-	-	-	-
Interest and dividends	20,704	11,628	8,922	8,042	4,678	2,455	2,337	2,009	2,198	2,421
Realized gains on investments	2,278	15,458	7,802	9,159	952	459	25	215	(66)	(276)
Equity earnings	6,657	6,367	6,729	18	-	-	-	-	-	-
Other income	2,087	2,765	582	211	368	-	-	-	-	-
Gain on sale of associated company	26,996	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	195,430	125,754	133,649	112,971	53,733	16,963	18,978	21,845	16,575	12,821

EARNINGS										
Earnings before income taxes	23,238	19,204	21,324	18,203	9,085	(880)	(4,854)	308	476	(814)
Extraordinary items	-	-	-	1,700	1,711	-	-	-	-	-
NET EARNINGS	21,306	16,741	14,357	16,019	6,548	(910)	(4,775)	280	218	(326)

TOTAL ASSETS	542,124	248,065	246,786	185,413	129,845	41,477	31,401	32,325	28,739	29,351
CASH AND INVESTMENTS	341,877	133,858	137,548	124,016	95,633	32,728	25,391	24,218	20,337	22,265
DEBT	80,385	14,431	22,061	3,067	3,000	-	1,000	300	800	-
SHAREHOLDERS' EQUITY	94,676	90,830	74,176	61,048	41,275	10,379	2,287	7,062	6,782	6,565
NUMBER OF SHARES -FULLY DILUTED	7,524	7,712	7,718	7,336	7,007	5,000	616	616	616	616
RETURN ON AVERAGE SHAREHOLDER'S EQUITY	23.0%	20.3%	21.2%	31.3%	25.4%	-	-	4.1%	3.3%	-

PER COMMON SHARE										
Net earnings - fully diluted	2.92	2.25	1.94	2.23	1.35	(1.89)	(7.75)	0.45	0.35	(0.53)
Shareholders' equity	17.29	12.41	10.13	8.32	5.89	2.08	3.71	11.46	11.01	10.66

Directors of the Company

|= H. Anthony Arrell
President, Laucam Holdings Limited

Winslow W. Bennett
President, Winwood Holdings Ltd.

John Puddington
President, Trucena Investments Limited

* Robbert Hartog
President, Robhar Investments Ltd.

|=* Steven A. Markel
Executive Vice President and Treasurer,
Markel Corporation

Kenneth R. Polley
President and Chief Executive Officer,
Morden & Helwig Group, Inc.

* V. Prem Watsa
Chairman of the Board and
Chief Executive Officer

* Audit Committee Member

|= Investment Committee Member

Operating Management

John B. O. Watson
President
COMMONWEALTH INSURANCE COMPANY

John Paisley
President
FEDERATED INSURANCE COMPANY OF CANADA
and
FEDERATED LIFE INSURANCE COMPANY OF CANADA

William S. Grant
President
MARKEL INSURANCE COMPANY OF CANADA

J. Paul T. Fink
President
FAIRBRIDGE INC.

Kenneth R. Polley
President
MORDEN & HELWIG GROUP INC.

Officers of the Company

Brenda Adams
Corporate Secretary

William R. Andrus
Vice President, Corporate Development

J. Paul T. Fink
Vice President, Investment Banking

Mark Heintzman
Controller

Eric P. Salsberg
Vice President, Corporate Affairs

John C. Varnell
Chief Financial Officer

V. Prem Watsa
Chairman and Chief Executive Officer

Head Office

95 Wellington Street West
Suite 800
Toronto, Ontario M5J 2N7
Telephone (416) 367-4941

Investor contact:
John C. Varnell,
Chief Financial Officer

Transfer Agent and Registrar
The Royal Trust Company

Share Listing
Toronto Stock Exchange
Exchange Symbol FFH

General Counsel
Tory, Tory, DesLauriers & Binnington

Auditors
Coopers & Lybrand

Annual Meeting
The annual meeting of shareholders of Fairfax Financial Holdings Limited will be held on Wednesday, May 8, 1991 at 4.30 p.m. at The Toronto Stock Exchange