



Fairfax Financial Holdings Limited

**Annual Financial Supplement
December 31, 2016**

Readers of this Annual Financial Supplement are advised to read it in conjunction with the Annual Report for the year ended December 31, 2016. Additional information relating to the company, including its Annual Information Form and Annual Report, can be found on SEDAR at www.sedar.com. Additional information can also be accessed from the company's website www.fairfax.ca.

Provision for Losses and Loss Adjustment Expenses

Claims provisions are established by the company's primary insurance companies by the case method as claims are initially reported. The provisions are subsequently adjusted as additional information on the estimated ultimate amount of a claim becomes known during the course of its settlement. The company's reinsurance companies rely on initial and subsequent claims reports received from ceding companies to establish estimates of provision for claims. In determining the provision to cover the estimated ultimate liability for all of the company's insurance and reinsurance obligations, a provision is also made for management's calculation of factors affecting the future development of claims including incurred but not reported claims based on the volume of business currently in force, the historical experience on claims and potential changes, such as changes in the underlying book of business, in law and in cost factors.

As time passes, more information about the claims becomes known and provision estimates are consequently adjusted upward or downward. Because of the various elements of estimation encompassed in this process and the time it takes to settle many of the more substantial claims, several years may be required before a meaningful comparison of actual losses to the original estimates of provision for claims can be developed.

The development of the provision for claims is often measured as the difference between estimates of reserves as of the initial year-end and the re-estimated liability at each subsequent year-end. This is based on actual payments in full or partial settlement of claims, plus re-estimates of the reserves required for claims still open or claims still unreported. Favourable development (or redundancies) means that subsequent reserve estimates are lower than originally indicated, while unfavourable development (or deficiencies) means that the original reserve estimates were lower than subsequently indicated. The net favourable reserve development in the two tables that follow excludes the loss reserve development of a subsidiary in the year it is acquired. In the second table below, a subsidiary's provision for claims balance at December 31 in the year of acquisition is included in the line 'Provision for claims of companies acquired during the year at December 31', whereas the net favourable reserve development as set out in the Sources of Net Earnings section in Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2016 and the Consolidated Financial Statements for the year ended December 31, 2016 includes the loss reserve development of a subsidiary from its acquisition date.

	Favourable/(Unfavourable)	
	2016 ⁽¹⁾	2015 ⁽²⁾
Insurance and Reinsurance		
Northbridge	112.8	93.9
OdysseyRe	266.5	233.3
Crum & Forster	8.3	—
Zenith National	101.0	89.6
Brit	53.5	—
Fairfax Asia	50.7	35.5
Other	60.4	68.3
Operating companies	653.2	520.6
Runoff	(79.5)	(53.1)
	<u>573.7</u>	<u>467.5</u>

(1) Excludes net favourable development at Fairfax Asia relating to the acquisition of Fairfirst Insurance (\$1.4) in 2016.

(2) Excludes net favourable development at Brit (\$19.7) and Fairfax Asia relating to the acquisition of MCIS and Union Assurance (\$4.0) which were acquired in 2015.

Changes in provision for losses and loss adjustment expenses recorded on the consolidated balance sheets and the related impact on unpaid claims and allocated loss adjustment expenses for the years ended December 31 were as shown in the following table:

Reconciliation of Provision for Claims - Consolidated

	2016	2015	2014	2013	2012
Provision for claims at January 1 - net	16,596.3	14,378.2	14,981.6	15,075.8	13,711.2
Foreign exchange effect of change in provision for claims	(103.7)	(559.3)	(496.2)	(128.0)	101.0
Provision for claims occurring:					
In the current year	5,286.9	4,307.0	4,166.2	4,151.2	4,385.6
In the prior years	(573.7)	(467.5)	(374.4)	(476.0)	(136.1)
Paid on claims during the year related to:					
The current year	(1,304.5)	(1,055.3)	(1,076.7)	(1,050.8)	(946.5)
The prior years	(3,695.2)	(2,688.4)	(2,822.7)	(3,068.7)	(2,964.4)
Provision for claims of companies acquired during the year at December 31	83.3	2,681.6	0.4	478.1	925.0
Provision for claims at December 31 before the undernoted CTR Life ⁽¹⁾	16,289.4	16,596.3	14,378.2	14,981.6	15,075.8
	12.8	14.2	15.2	17.9	20.6
Provision for claims at December 31 - net	16,302.2	16,610.5	14,393.4	14,999.5	15,096.4
Reinsurers' share of provision for claims at December 31	3,179.6	3,205.9	3,355.7	4,213.3	4,552.4
Provision for claims at December 31 - gross	19,481.8	19,816.4	17,749.1	19,212.8	19,648.8

(1) *Guaranteed minimum death benefit retrocessional business written by Compagnie Transcontinentale de Réassurance ("CTR Life"), a wholly owned subsidiary of the company that was transferred to Wentworth and placed into runoff in 2002.*

The foreign exchange effect of change in provision for claims principally related to the impact in 2016 of the strengthening of the U.S. dollar relative to the British pound sterling and the Euro (principally at Brit, OdysseyRe and Runoff). In general, the company manages foreign currency risk on claims liabilities by investing in financial instruments and other assets denominated in the same currency as the liabilities to which they relate.

The tables that follow show the reserve reconciliation and the reserve development of Northbridge, OdysseyRe, U.S. Insurance (comprised of Crum & Forster and Zenith National), Fairfax Asia, Insurance and Reinsurance - Other (comprised of Group Re, Advent, Polish Re, Fairfax Brasil and Colonnade) and Runoff's net provision for claims. Because business is written in multiple geographic locations and currencies, there will necessarily be some distortions caused by foreign currency fluctuations. Northbridge tables are presented in Canadian dollars and OdysseyRe, U.S. Insurance, Fairfax Asia, Insurance and Reinsurance - Other and Runoff tables are presented in U.S. dollars.

The company endeavours to establish adequate provisions for losses and loss adjustment expenses at the original valuation date, with the objective of achieving net favourable prior period reserve development at subsequent valuation dates. The reserves will always be subject to upward or downward development in the future and future development could be significantly different from the past due to many unknown factors.

The tables that follow show calendar year claims reserve development; in any year when there is a redundancy or reserve strengthening related to a prior year, the amount of the change in favourable (unfavourable) development reflected for that prior year is also reflected in the favourable (unfavourable) development for each year thereafter.

The accident year claims reserve development tables that follow for Northbridge, OdysseyRe and U.S. Insurance show the development of the provision for losses and loss adjustment expenses by accident year commencing in 2006, with the re-estimated amount of each accident year's reserve development shown in subsequent years up to December 31, 2016. All claims are attributed back to the year of loss, regardless of when they were reported or adjusted. For example, accident year 2009 represents all claims with a date of loss between January 1, 2009 and December 31, 2009. The initial reserves set up at the end of the accident year are re-evaluated over time to determine their redundancy or deficiency based on actual payments in full or partial settlements of claims, plus current estimates of the reserves for claims still open or claims still unreported.

Northbridge

The following table shows for Northbridge the provision for losses and LAE as originally and as currently estimated for the years 2012 through 2016. The favourable or unfavourable development from prior years has been credited or charged to each year's earnings.

Reconciliation of Provision for Claims - Northbridge

	2016	2015	2014	2013	2012
		<i>(In Cdn\$ except as indicated)</i>			
Provision for claims and LAE at January 1	1,950.8	1,982.4	2,016.9	2,077.2	2,030.7
Transfer to U.S. Runoff ⁽¹⁾	—	—	—	(3.6)	—
Incurred losses on claims and LAE					
Provision for current accident year's claims	861.3	754.6	751.7	789.8	756.1
Foreign exchange effect on claims	(4.4)	20.9	8.6	7.1	(3.0)
Decrease in provision for prior accident years' claims	(149.2)	(119.9)	(121.7)	(158.6)	(60.8)
Total incurred losses on claims and LAE	707.7	655.6	638.6	638.3	692.3
Payments for losses on claims and LAE					
Payments on current accident year's claims	(360.4)	(315.5)	(304.7)	(300.9)	(262.6)
Payments on prior accident years' claims	(362.0)	(371.7)	(368.4)	(394.1)	(383.2)
Total payments for losses on claims and LAE	(722.4)	(687.2)	(673.1)	(695.0)	(645.8)
Provision for claims and LAE at December 31	1,936.1	1,950.8	1,982.4	2,016.9	2,077.2
Exchange rate	0.7457	0.7199	0.8634	0.9412	1.0043
Provision for claims and LAE at December 31 converted to U.S. dollars	1,443.7	1,404.4	1,711.6	1,898.3	2,086.1

(1) Commonwealth Insurance Company of America was transferred to TIG Insurance, a wholly owned insurance subsidiary of U.S. Runoff effective January 1, 2013.

The following table shows for Northbridge the original provision for losses and LAE at each calendar year-end commencing in 2006, the subsequent cumulative payments made on account of these years and the subsequent re-estimated amount of these reserves.

Northbridge's Calendar Year Claims Reserve Development

As at December 31	Calendar year										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Provision for claims including LAE	1,640.2	1,696.0	1,931.8	1,973.3	1,994.3	2,030.7	2,077.2	2,016.9	1,982.4	1,950.8	1,936.1
Cumulative payments as of:											
One year later	376.4	383.0	483.0	472.7	413.5	383.2	397.7	368.4	371.7	362.0	
Two years later	619.5	656.0	796.8	759.9	670.7	655.1	633.8	600.8	600.4		
Three years later	835.4	887.0	1,027.6	965.9	894.4	844.1	821.4	773.9			
Four years later	1,000.9	1,056.8	1,183.1	1,132.6	1,040.9	990.8	946.9				
Five years later	1,115.1	1,156.2	1,304.8	1,246.4	1,147.6	1,083.3					
Six years later	1,181.7	1,229.7	1,383.9	1,327.2	1,210.3						
Seven years later	1,230.2	1,286.0	1,438.4	1,371.8							
Eight years later	1,268.1	1,318.6	1,474.2								
Nine years later	1,291.1	1,342.3									
Ten years later	1,310.0										
Reserves re-estimated as of:											
One year later	1,564.3	1,674.0	1,883.8	1,965.8	1,957.1	1,967.1	1,925.1	1,903.0	1,881.2	1,796.8	
Two years later	1,545.4	1,635.1	1,901.2	1,962.0	1,914.4	1,861.7	1,822.3	1,794.6	1,724.8		
Three years later	1,510.3	1,635.1	1,901.5	1,917.7	1,810.2	1,776.7	1,728.2	1,651.3			
Four years later	1,507.9	1,634.3	1,865.8	1,827.0	1,742.8	1,701.1	1,619.0				
Five years later	1,513.5	1,612.1	1,794.1	1,780.7	1,692.0	1,627.7					
Six years later	1,495.1	1,563.5	1,779.6	1,754.7	1,639.9						
Seven years later	1,464.3	1,568.4	1,771.4	1,716.2							
Eight years later	1,483.8	1,578.6	1,753.2								
Nine years later	1,500.9	1,564.4									
Ten years later	1,488.6										
Favourable (unfavourable) development	151.6	131.6	178.6	257.1	354.4	403.0	458.2	365.6	257.6	154.0	

The net favourable prior year reserve development in 2016 of Cdn\$154.0 reflected in the "Northbridge's Calendar Year Claims Reserve Development" table preceding this paragraph is comprised of Cdn\$149.2 of net favourable reserve development and Cdn\$4.8 of net favourable foreign currency movements related to the translation of U.S. dollar-denominated claims reserves (principally at Northbridge Indemnity and Northbridge Commercial). The net favourable prior year reserve development in 2016 of Cdn\$149.2

reflected net favourable emergence on commercial liability, commercial automobile and personal automobile claims reserves, primarily at Northbridge General, specifically in respect of accident years 2009 through 2014. The strengthening of the Canadian dollar relative to the U.S. dollar reduced Northbridge's claims reserves in 2016 (expressed in Canadian dollars) by Cdn\$4.8 related to prior years' reserves, partially offset by Cdn\$0.4 increase related to the current year's reserves, representing a total decrease of Cdn\$4.4.

The following table is derived from the "Northbridge's Calendar Year Claims Reserve Development" table above. It summarizes the effect of re-estimating prior year loss reserves by accident year.

Northbridge's Accident Year Claims Reserve Development

As at December 31	2006 & Prior	Accident year									
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
End of first year	1,640.2	508.1	640.8	572.4	501.2	487.1	493.3	489.6	447.8	441.4	501.3
One year later	1,564.4	505.1	631.7	547.6	467.9	466.2	446.5	478.4	454.9	443.7	
Two years later	1,545.4	501.3	649.1	543.4	469.4	465.0	428.8	464.1	441.9		
Three years later	1,510.3	503.5	650.3	534.9	455.9	447.4	410.3	429.9			
Four years later	1,507.9	497.1	636.8	515.9	434.8	422.6	374.5				
Five years later	1,513.5	493.4	613.7	484.0	410.0	401.3					
Six years later	1,495.1	475.5	594.3	466.3	396.5						
Seven years later	1,464.3	460.9	575.9	446.0							
Eight years later	1,483.8	454.0	571.8								
Nine years later	1,500.9	452.2									
Ten years later	1,488.6										
Favourable (unfavourable) development	9.2%	11.0%	10.8%	22.1%	20.9%	17.6%	24.1%	12.2%	1.3%	(0.5)%	

Accident year 2015 experienced net unfavourable development related to participation in the Facility Association and in respect of unallocated loss adjustment expenses. Accident year 2014 experienced net favourable emergence across most lines of business and operating segments except in the commercial transportation segment. Accident years 2013 and prior experienced net favourable emergence across most lines of business and operating segments.

OdysseyRe

The following table shows for OdysseyRe the provision for losses and LAE as originally and as currently estimated for the years 2012 through 2016. The favourable or unfavourable development from prior years has been credited or charged to each year's earnings.

Reconciliation of Provision for Claims - OdysseyRe

	2016	2015	2014	2013	2012
Provision for claims and LAE at January 1	4,319.6	4,589.1	4,812.8	4,842.7	4,789.5
Incurred losses on claims and LAE					
Provision for current accident year's claims	1,443.3	1,421.0	1,473.1	1,524.3	1,566.5
Foreign exchange effect on claims	(27.6)	(141.5)	(186.2)	9.9	20.4
Decrease in provision for prior accident years' claims	(266.5)	(233.3)	(189.1)	(214.7)	(152.0)
Total incurred losses on claims and LAE	1,149.2	1,046.2	1,097.8	1,319.5	1,434.9
Payments for losses on claims and LAE					
Payments on current accident year's claims	(269.6)	(277.6)	(311.4)	(283.3)	(249.3)
Payments on prior accident years' claims	(960.9)	(1,038.1)	(1,010.1)	(1,066.1)	(1,132.4)
Total payments for losses on claims and LAE	(1,230.5)	(1,315.7)	(1,321.5)	(1,349.4)	(1,381.7)
Provision for claims and LAE at December 31	4,238.3	4,319.6	4,589.1	4,812.8	4,842.7

The following table shows for OdysseyRe the original provision for losses and LAE at each calendar year-end commencing in 2006, the subsequent cumulative payments made on account of these years and the subsequent re-estimated amount of these reserves.

OdysseyRe's Calendar Year Claims Reserve Development

As at December 31	Calendar year										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Provision for claims including LAE	4,403.1	4,475.6	4,560.3	4,666.3	4,857.2	4,789.5	4,842.7	4,812.8	4,589.1	4,319.6	4,238.3
Cumulative payments as of:											
One year later	1,111.1	1,016.0	1,024.2	988.2	1,403.0	1,132.4	1,066.1	1,010.1	1,038.1	960.9	
Two years later	1,808.2	1,646.5	1,676.1	2,006.8	2,053.7	1,760.2	1,642.9	1,601.7	1,625.2		
Three years later	2,273.0	2,123.5	2,567.1	2,484.3	2,482.0	2,152.9	2,040.8	2,004.8			
Four years later	2,661.8	2,887.8	2,942.5	2,823.6	2,766.9	2,437.9	2,330.3				
Five years later	3,347.6	3,164.1	3,206.4	3,046.0	2,971.7	2,649.5					
Six years later	3,572.9	3,360.3	3,376.6	3,194.9	3,136.1						
Seven years later	3,721.2	3,488.6	3,486.9	3,327.8							
Eight years later	3,817.5	3,566.8	3,596.1								
Nine years later	3,868.9	3,664.4									
Ten years later	3,953.7										
Reserves re-estimated as of:											
One year later	4,443.6	4,465.5	4,549.0	4,662.7	4,805.8	4,637.5	4,628.0	4,623.7	4,355.8	4,053.1	
Two years later	4,481.5	4,499.0	4,567.7	4,650.4	4,726.6	4,500.3	4,439.1	4,399.4	4,118.9		
Three years later	4,564.3	4,537.8	4,561.3	4,606.6	4,674.1	4,357.3	4,262.3	4,212.2			
Four years later	4,623.1	4,534.5	4,548.7	4,591.2	4,566.5	4,207.7	4,138.7				
Five years later	4,628.3	4,522.9	4,535.0	4,489.4	4,437.3	4,127.3					
Six years later	4,630.5	4,516.0	4,460.5	4,398.4	4,377.0						
Seven years later	4,627.3	4,464.0	4,404.1	4,353.6							
Eight years later	4,577.3	4,426.8	4,372.2								
Nine years later	4,548.4	4,404.5									
Ten years later	4,531.9										
Favourable (unfavourable) development	(128.8)	71.1	188.1	312.7	480.2	662.2	704.0	600.6	470.2	266.5	

OdysseyRe experienced net favourable prior year reserve development of \$266.5 in 2016, attributable to net favourable emergence in its EuroAsia (\$90.8), North America (\$75.4), London Market (\$42.4), U.S. Insurance (\$42.4) and Latin America (\$15.5) divisions primarily related to casualty and property catastrophe claims reserves.

The following table is derived from the “OdysseyRe's Calendar Year Claims Reserve Development” table above. It summarizes the effect of re-estimating prior year loss reserves by accident year.

OdysseyRe's Accident Year Claims Reserve Development

As at December 31	Accident Year										
	2006 & Prior	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
End of first year	4,403.1	1,143.1	1,110.8	1,141.5	1,182.7	1,386.7	1,337.6	1,251.0	975.5	1,001.9	1,146.1
One year later	4,443.6	1,095.2	1,066.1	1,119.2	1,143.6	1,313.9	1,260.1	1,250.7	966.4	972.3	
Two years later	4,481.5	1,045.7	1,045.9	1,113.3	1,108.2	1,229.2	1,214.2	1,203.2	916.8		
Three years later	4,564.4	1,025.8	1,042.8	1,082.1	1,071.1	1,193.8	1,187.0	1,139.5			
Four years later	4,623.1	1,017.3	1,041.8	1,080.3	1,065.4	1,173.4	1,143.9				
Five years later	4,628.3	1,003.5	1,035.0	1,053.1	1,027.1	1,153.3					
Six years later	4,630.5	999.8	1,012.5	1,018.5	1,011.6						
Seven years later	4,627.3	997.9	993.3	1,005.5							
Eight years later	4,577.3	989.6	983.7								
Nine years later	4,548.4	983.8									
Ten years later	4,531.9										
Favourable (unfavourable) development	(2.9)%	13.9%	11.4%	11.9%	14.5%	16.8%	14.5%	8.9%	6.0%	3.0%	

Improvements in competitive conditions and the economic environment beginning in 2001 resulted in a continued downward trend on re-estimated reserves for accident years 2007 through 2011. Initial loss estimates for those accident years did not fully anticipate the improvements in market and economic conditions achieved since the early 2000s. Accident years 2011 through 2015 benefited from net favourable emergence on catastrophe claims reserves. The deterioration in accident year 2006 and prior principally reflected net adverse emergence on casualty claims reserves, and on asbestos and environmental pollution claims reserves for accident years 1986 and prior.

U.S. Insurance

The following table shows for the U.S. insurance operations the provision for losses and LAE as originally and as currently estimated for the years 2012 through 2016. First Mercury and Zenith National were included in U.S. Insurance beginning in 2011 and 2010 respectively. Between 2010 and 2006, U.S. Insurance consisted of Crum & Forster only with the years prior to 2006 including Fairmont (the business of which was assumed by Crum & Forster effective January 1, 2006 subsequent to the transfer of the Fairmont entities to U.S. Runoff). The favourable or unfavourable development from prior years has been credited or charged to each year's earnings.

Reconciliation of Provision for Claims - U.S. Insurance

	2016	2015	2014	2013	2012
Provision for claims and LAE at January 1	3,619.9	3,165.8	3,108.0	3,058.3	2,776.5
Incurred losses on claims and LAE					
Provision for current accident year's claims	1,595.5	1,424.7	1,323.0	1,339.3	1,353.0
Increase (decrease) in provision for prior accident years' claims	(109.3)	(89.6)	(72.6)	(27.7)	52.4
Total incurred losses on claims and LAE	1,486.2	1,335.1	1,250.4	1,311.6	1,405.4
Payments for losses on claims and LAE					
Payments on current accident year's claims	(420.6)	(345.1)	(331.0)	(302.2)	(292.4)
Payments on prior accident years' claims	(992.8)	(535.9)	(861.6)	(891.1)	(831.2)
Total payments for losses on claims and LAE	(1,413.4)	(881.0)	(1,192.6)	(1,193.3)	(1,123.6)
Provision for claims and LAE at December 31 before the undernoted	3,692.7	3,619.9	3,165.8	3,176.6	3,058.3
Transfers to Runoff ⁽¹⁾	—	—	—	(68.6)	—
Provision for claims and LAE at December 31	3,692.7	3,619.9	3,165.8	3,108.0	3,058.3

(1) U.S. Runoff assumed the liability for Crum & Forster's discontinued New York construction contractors' business in 2013.

The following table shows for Crum & Forster (and Zenith National since 2010) the original provision for losses and LAE at each calendar year-end commencing in 2006, the subsequent cumulative payments made on account of these years and the subsequent re-estimated amounts of these reserves.

U.S. Insurance Calendar Year Claims Reserve Development (including Zenith National since 2010)

	Calendar year										
As at December 31	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Provision for claims including LAE	1,686.9	1,668.9	2,038.3	1,789.4	2,588.5	2,776.5	3,058.3	3,108.0	3,165.8	3,619.9	3,692.7
Cumulative payments as of:											
One year later	571.0	264.1	632.9	565.4	1,084.5	831.2	954.3	861.6	535.9	992.8	
Two years later	629.2	649.0	1,048.7	1,258.8	1,537.0	1,464.6	1,539.4	1,103.4	1,180.3		
Three years later	904.3	971.2	1,670.9	1,492.4	1,840.7	1,864.6	1,602.1	1,556.6			
Four years later	1,153.9	1,524.3	1,847.5	1,628.0	2,035.2	1,788.9	1,919.5				
Five years later	1,661.7	1,647.2	1,936.6	1,715.3	1,825.6	2,003.2					
Six years later	1,746.4	1,706.0	2,007.0	1,466.3	1,945.6						
Seven years later	1,777.9	1,760.2	1,739.0	1,533.8							
Eight years later	1,818.1	1,480.0	1,794.1								
Nine years later	1,525.6	1,525.0									
Ten years later	1,506.9										
Reserves re-estimated as of:											
One year later	1,640.3	1,727.9	2,013.3	1,800.7	2,650.3	2,828.9	3,030.6	3,035.4	3,076.2	3,510.6	
Two years later	1,716.5	1,692.4	2,015.5	1,833.4	2,664.6	2,867.9	3,042.3	2,969.8	3,000.1		
Three years later	1,700.3	1,711.8	2,063.1	1,836.7	2,645.2	2,894.4	3,010.5	2,942.6			
Four years later	1,732.0	1,754.7	2,062.4	1,819.3	2,626.4	2,874.6	3,005.9				
Five years later	1,774.6	1,755.5	2,041.5	1,812.0	2,612.7	2,880.8					
Six years later	1,777.8	1,735.0	2,036.6	1,821.3	2,599.8						
Seven years later	1,747.7	1,737.1	2,046.0	1,825.7							
Eight years later	1,749.5	1,745.7	2,050.7								
Nine years later	1,756.1	1,751.6									
Ten years later	1,762.0										
Favourable (unfavourable) development	(75.1)	(82.7)	(12.4)	(36.3)	(11.3)	(104.3)	52.4	165.4	165.7	109.3	

U.S. Insurance experienced net favourable prior year development of \$109.3 in 2016 comprised of \$101.0 of net favourable development of workers' compensation claims reserves at Zenith National and \$8.3 of net favourable development at Crum & Forster primarily related to admitted casualty segments partially offset by excess and surplus contracting business.

The following table is derived from the "U.S. Insurance Calendar Year Claims Reserve Development" table above. It summarizes the effect of re-estimating prior year loss reserves by accident year.

U.S. Insurance Accident Year Claims Reserve Development

As at December 31	Accident year										
	2006 & Prior	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
End of first year	2,120.9	723.4	748.8	659.6	743.1	838.0	1,060.5	1,031.7	992.0	1,079.5	1,174.9
One year later	2,074.3	706.4	759.4	668.8	746.8	855.1	993.8	947.3	968.0	1,046.4	
Two years later	2,150.4	686.9	742.1	670.7	762.6	879.6	979.1	913.6	919.1		
Three years later	2,134.3	674.8	755.3	691.1	783.3	902.6	967.0	891.0			
Four years later	2,165.9	676.9	764.4	700.2	783.6	884.6	956.2				
Five years later	2,206.7	679.9	764.0	703.2	779.3	879.4					
Six years later	2,193.7	688.0	758.3	699.2	784.0						
Seven years later	2,170.6	698.1	761.4	699.4							
Eight years later	2,166.4	699.1	761.6								
Nine years later	2,168.8	700.5									
Ten years later	2,173.7										
Favourable (unfavourable) development	(2.5)%	3.2%	(1.7)%	(6.0)%	(5.5)%	(4.9)%	9.8%	13.6%	7.3%	3.1%	

Accident year 2015 experienced net favourable emergence on workers' compensation claims reserves at Zenith National. Accident years 2012 through 2014 experienced net favourable emergence on general liability, workers' compensation and group accident and health claims reserves. Accident years 2008 through 2011 experienced net adverse emergence principally related to unfavourable trends on workers' compensation claims reserves at Crum & Forster and Zenith National and general liability claims reserves at First Mercury. Accident year 2007 experienced net favourable emergence on general liability, commercial multi-peril, property and workers' compensation claims reserves. Accident years 2006 and prior were impacted by the effects of increased frequency and severity on casualty claims reserves, the effects of increased competitive conditions during 2003 and prior periods and included strengthening of asbestos, environmental and latent claims reserves through December 2011.

Fairfax Asia

The following table shows for Fairfax Asia the provision for losses and LAE as originally and as currently estimated for the years 2012 through 2016. The favourable or unfavourable development from prior years has been credited or charged to each year's earnings.

Reconciliation of Provision for Claims - Fairfax Asia

	2016	2015	2014	2013	2012
Provision for claims and LAE at January 1	396.3	372.6	360.0	318.8	266.0
Incurred losses on claims and LAE					
Provision for current accident year's claims	241.0	207.3	221.3	205.7	182.4
Foreign exchange effect on claims	(6.4)	(24.2)	(15.1)	(10.1)	13.0
Decrease in provision for prior accident years' claims	(50.7)	(35.5)	(20.6)	(16.7)	(16.4)
Total incurred losses on claims and LAE	183.9	147.6	185.6	178.9	179.0
Payments for losses on claims and LAE					
Payments on current accident year's claims	(93.2)	(59.7)	(63.1)	(49.4)	(44.1)
Payments on prior accident years' claims	(107.9)	(96.1)	(110.3)	(88.3)	(82.1)
Total payments for losses on claims and LAE	(201.1)	(155.8)	(173.4)	(137.7)	(126.2)
Insurance subsidiaries acquired during the year ⁽¹⁾	15.9	31.9	0.4	—	—
Provision for claims and LAE at December 31	395.0	396.3	372.6	360.0	318.8

(1) AMAG and Fairfirst Insurance in 2016, MCIS and Union Assurance in 2015 and Fairfax Indonesia in 2014.

The following table shows for Fairfax Asia the original provision for losses and LAE at each calendar year-end commencing in 2006, the subsequent cumulative payments made on account of these years and the subsequent re-estimated amount of these reserves. The following Asian Insurance subsidiaries' reserves are included from the respective years in which such subsidiaries were acquired:

	Year acquired
Falcon Insurance	1998
Winterthur (Asia) (now part of First Capital Insurance)	2001
First Capital Insurance	2004
Pacific Insurance	2011
Fairfax Indonesia	2014
Union Assurance	2015
MCIS	2015
AMAG	2016
Fairfirst Insurance	2016

Fairfax Asia's Calendar Year Claims Reserve Development

	Calendar year										
As at December 31	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Provision for claims including LAE	87.6	91.0	113.2	138.7	203.0	266.0	318.8	360.0	372.6	396.3	395.0
Cumulative payments as of:											
One year later	26.5	30.9	41.0	44.6	62.2	82.1	88.3	110.3	96.1	107.9	
Two years later	45.2	49.8	56.5	65.2	92.4	120.0	135.3	157.7	132.0		
Three years later	56.3	55.8	62.8	75.7	106.3	142.9	164.7	178.6			
Four years later	58.8	58.0	66.2	80.5	115.7	160.7	176.8				
Five years later	59.9	59.1	67.7	83.2	123.0	166.4					
Six years later	60.1	59.9	68.5	86.3	124.9						
Seven years later	60.4	59.9	68.8	87.2							
Eight years later	60.3	59.9	69.2								
Nine years later	60.2	59.8									
Ten years later	60.3										
Reserves re-estimated as of:											
One year later	84.5	94.9	106.0	136.3	185.0	260.2	293.8	330.3	318.4	345.5	
Two years later	84.1	84.7	100.2	124.5	177.9	240.6	275.5	287.9	274.9		
Three years later	75.0	79.5	93.2	118.4	165.8	226.8	248.5	258.5			
Four years later	72.2	75.4	89.2	110.1	161.7	212.2	230.6				
Five years later	69.4	71.8	83.9	108.0	153.8	200.4					
Six years later	67.4	69.3	82.7	104.0	146.8						
Seven years later	66.0	68.5	80.5	99.9							
Eight years later	65.5	67.4	77.5								
Nine years later	65.0	65.1									
Ten years later	63.4										
Favourable (unfavourable) development	24.2	25.9	35.7	38.8	56.2	65.6	88.2	101.5	97.7	50.8	

The net favourable prior year reserve development in 2016 of \$50.8 reflected in the "Fairfax Asia's Calendar Year Claims Reserve Development" table preceding this paragraph is comprised of \$50.7 of net favourable reserve development and \$0.1 of net favourable foreign currency movements related to the translation of non-U.S. dollar-denominated claims reserves. The net favourable prior year reserve development in 2016 of \$50.7 reflected net favourable emergence on commercial automobile, engineering and marine hull claims reserves. Principally as a result of the strengthening of the U.S. dollar relative to the Singapore dollar in 2016, Fairfax Asia's claims reserves (expressed in U.S. dollars) decreased by \$0.1 related to prior years' reserves and \$6.3 related to the current year's reserves representing a total decrease of \$6.4.

Insurance and Reinsurance - Other

The following table shows for Insurance and Reinsurance - Other the provision for losses and LAE as originally and as currently estimated for the years 2012 through 2016. The favourable or unfavourable development from prior years has been credited or charged to each year's earnings.

Reconciliation of Provision for Claims - Insurance and Reinsurance - Other

	2016	2015	2014	2013	2012
Provision for claims and LAE at January 1	796.9	877.1	966.6	1,046.5	1,057.3
Transfer to Runoff ⁽¹⁾	—	—	—	—	(61.8)
Incurred losses on claims and LAE					
Provision for current accident year's claims	289.7	297.0	276.0	297.6	392.0
Foreign exchange effect on claims	(0.5)	(72.5)	(58.7)	(20.8)	22.3
Decrease in provision for prior accident years' claims	(60.4)	(68.3)	(53.2)	(26.9)	(0.6)
Total incurred losses on claims and LAE	228.8	156.2	164.1	249.9	413.7
Payments for losses on claims and LAE					
Payments on current accident year's claims	(77.0)	(63.1)	(49.1)	(67.5)	(101.0)
Payments on prior accident years' claims	(187.7)	(174.8)	(204.5)	(262.3)	(261.7)
Total payments for losses on claims and LAE	(264.7)	(237.9)	(253.6)	(329.8)	(362.7)
Insurance subsidiaries acquired during the year ⁽²⁾	67.4	1.5	—	—	—
Provision for claims and LAE at December 31 excluding CTR Life	828.4	796.9	877.1	966.6	1,046.5
CTR Life ⁽³⁾	12.8	14.2	15.2	17.9	20.6
Provision for claims and LAE at December 31	841.2	811.1	892.3	984.5	1,067.1

(1) Runoff assumed liability for the claims reserves of Advent's Syndicate 3330 effective January 1, 2012.

(2) Bryte Insurance and an increase in Fairfax Brasil's motor pool share in 2016, Colonnade Ukraine in 2015.

(3) Guaranteed minimum death benefit retrocessional business written by Compagnie Transcontinentale de Réassurance ("CTR Life"), a wholly owned subsidiary of the company that was transferred to Wentworth and placed into runoff in 2002.

The following table shows for the Insurance and Reinsurance - Other reporting segment (comprised only of Group Re prior to 2008) the original provision for losses and LAE at each calendar year-end commencing in 2006, the subsequent cumulative payments made on account of these years and the subsequent re-estimated amount of these reserves.

Insurance and Reinsurance - Other's Calendar Year Claims Reserve Development⁽¹⁾

As at December 31	Calendar Year										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Provisions for claims including LAE	373.5	456.5	742.0	1,004.1	1,024.4	995.5	1,046.5	966.6	877.1	796.9	828.4
Cumulative payments as of:											
One year later	85.9	93.0	197.7	240.5	278.8	261.7	262.3	204.5	174.8	187.7	
Two years later	151.9	160.5	262.5	421.8	395.6	437.9	403.6	322.6	274.5		
Three years later	209.4	238.7	401.0	503.7	507.4	535.8	481.3	388.4			
Four years later	267.3	304.3	461.2	578.5	570.1	595.0	529.5				
Five years later	318.0	331.0	517.7	624.9	609.7	630.7					
Six years later	334.3	362.5	546.1	650.3	634.4						
Seven years later	358.2	377.7	560.6	668.9							
Eight years later	369.6	387.7	571.8								
Nine years later	376.9	394.8									
Ten years later	383.1										
Reserves re-estimated as of:											
One year later	429.4	383.8	833.5	989.2	966.2	1,016.9	996.6	866.8	745.8	737.7	
Two years later	375.8	454.1	833.0	939.8	993.1	986.9	915.5	772.8	701.2		
Three years later	436.9	484.2	787.6	959.0	966.9	941.9	848.4	736.9			
Four years later	458.0	477.6	801.9	946.5	929.8	886.0	820.5				
Five years later	452.5	492.8	785.9	915.0	891.1	860.4					
Six years later	465.1	473.3	759.5	882.8	876.9						
Seven years later	451.4	466.4	736.5	876.6							
Eight years later	448.2	453.3	730.0								
Nine years later	436.7	453.5									
Ten years later	437.6										
Favourable (unfavourable) development	(64.1)	3.0	12.0	127.5	147.5	135.1	226.0	229.7	175.9	59.2	

(1) The table above has been restated to reflect the transfer of nSpire Re's Group Re business to Runoff effective January 1, 2008.

The net favourable prior year reserve development in 2016 of \$59.2 reflected in the "Insurance and Reinsurance - Other's Calendar Year Claims Reserve Development" table preceding this paragraph is comprised of \$60.4 of net favourable reserve development and \$1.2 of net unfavourable foreign currency movements related to the translation of non-U.S. dollar-denominated claims reserves (principally the translation of the Brazilian real-denominated claims reserves at Fairfax Brasil). The net favourable prior year reserve development in 2016 of \$60.4 was principally comprised of net favourable emergence at Group Re (primarily related to prior years' catastrophe loss reserves and the runoff of the intercompany quota share reinsurance contract with Northbridge) and Advent (primarily reflecting net favourable emergence on attritional loss reserves across a number of lines of business and prior years' catastrophe loss reserves). The claims reserves of Insurance and Reinsurance - Other (expressed in U.S. dollars) decreased by \$0.5 (principally as a result of the strengthening of the U.S. dollar relative to the British pound sterling) and was comprised of \$1.2 unfavourable impact related to prior years' reserves and \$1.7 favourable impact related to the current year's reserves.

Runoff

The following table shows for the Runoff operations the provision for losses and LAE as originally and as currently estimated for the years 2012 through 2016. The favourable or unfavourable development from prior years has been credited or charged to each year's earnings.

Reconciliation of Provision for Claims - Runoff

	2016	2015	2014	2013	2012
Provision for claims and LAE at January 1	3,474.1	3,693.8	3,843.9	3,744.6	2,860.6
Transfers to Runoff at January 1 ⁽¹⁾	—	—	—	3.6	61.8
Incurring losses on claims and LAE					
Provision for current accident year's claims	156.7	366.1	192.1	17.4	133.8
Foreign exchange effect on claims	(45.1)	(62.9)	(75.5)	7.3	3.3
Increase (decrease) in provision for prior accident years' claims	79.5	53.1	71.3	(36.0)	41.3
Total incurred losses on claims and LAE	191.1	356.3	187.9	(11.3)	178.4
Payments for losses on claims and LAE					
Payments on current accident year's claims	(10.8)	(26.1)	(35.4)	(61.5)	(7.4)
Payments on prior accident years' claims	(628.1)	(552.4)	(302.6)	(378.2)	(273.8)
Total payments for losses on claims and LAE	(638.9)	(578.5)	(338.0)	(439.7)	(281.2)
Provision for claims and LAE at December 31 before the undernoted	3,026.3	3,471.6	3,693.8	3,297.2	2,819.6
Transferred from Crum & Forster at December 31 ⁽²⁾	—	—	—	68.6	—
Runoff subsidiaries acquired during the year ⁽³⁾	—	2.5	—	478.1	925.0
Provision for claims and LAE at December 31	3,026.3	3,474.1	3,693.8	3,843.9	3,744.6

(1) Transfer to Runoff of Northbridge's Commonwealth Insurance Company of America business in 2013, Advent's Syndicate 3330 in 2012.

(2) Runoff assumed liability for Crum & Forster's discontinued New York construction contractors' business in 2013.

(3) Comprised of two Canadian branches of AXA (which were already in runoff) in 2015, American Safety and Eagle Star in 2013, RiverStone Insurance and Syndicates 535 and 1204 in 2012.

Runoff experienced net adverse development of prior years' reserves in 2016 of \$79.5, primarily reflecting net adverse prior year reserve development of \$96.6 at U.S. Runoff, partially offset by net favourable prior year reserve development of \$17.1 at European Runoff. Net adverse prior year reserve development of \$96.6 at U.S. Runoff was principally comprised of \$149.1 related to APH exposures assumed from Crum & Forster and in the legacy portfolio of Clearwater Insurance (including \$50.0 related to a single assumed excess of loss contract with exposures to APH that was triggered and a loss of \$18.8 incurred in connection with the commutation of certain assumed long tail APH liabilities) and \$30.2 of non-APH loss reserve strengthening, partially offset by \$89.5 of net favourable prior year reserve development at TIG Insurance principally related to workers' compensation loss reserves. Net favourable prior year reserve development at European Runoff was across various lines of business.