



**Fairfax Financial Holdings Limited**

**Annual Financial Supplement  
December 31, 2018**

Readers of this Annual Financial Supplement are advised to read it in conjunction with the Annual Report for the year ended December 31, 2018. Additional information relating to the company, including its Annual Information Form and Annual Report, can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information can also be accessed from the company's website [www.fairfax.ca](http://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, 2018 and the Consolidated Financial Statements for the year ended December 31, 2018 includes the claims reserve development of a subsidiary from its acquisition date.

	<b>Favourable/(Unfavourable)</b>	
	<b>2018<sup>(1)</sup></b>	<b>2017<sup>(2)</sup></b>
Insurance and Reinsurance		
Northbridge	106.7	93.5
Odyssey Group	345.7	288.1
Crum & Forster	3.9	10.2
Zenith National	85.3	76.4
Brit	99.3	9.5
Allied World	96.6	—
Fairfax Asia	24.4	53.1
Other	26.9	36.3
Operating companies	788.8	567.1
Run-off	(208.4)	(112.5)
	<u>580.4</u>	<u>454.6</u>

(1) Excludes net favourable development of companies acquired in 2018 - SouthBridge Uruguay (\$0.2).

(2) Excludes net unfavourable development of companies acquired in 2017 - Allied World (\$71.9), Fairfax Latam (\$6.7) and Prudential Assurance Malaysia (\$0.8). Also excluded in 2017 is net favourable development on the CTR Life business (\$4.0).

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

*Reconciliation of Provision for Claims - Consolidated*

	2018	2017	2016	2015	2014
Provision for claims at January 1 - net	22,412.4	16,289.4	16,596.3	14,378.2	14,981.6
Foreign exchange effect of change in provision for claims	(444.6)	463.3	(103.7)	(559.3)	(496.2)
Provision for claims occurring:					
In the current year	8,505.4	6,192.9	5,286.9	4,307.0	4,166.2
In the prior years	(580.4)	(454.6)	(573.7)	(467.5)	(374.4)
Paid on claims during the year related to:					
The current year	(2,034.8)	(1,691.3)	(1,304.5)	(1,055.3)	(1,076.7)
The prior years	(5,777.2)	(3,876.8)	(3,695.2)	(2,688.4)	(2,822.7)
Provision for claims of companies acquired and reinsurance transactions during the year at December 31	533.8	5,725.0	83.3	2,681.6	0.4
Divestiture of subsidiary	—	(235.5)	—	—	—
Provision for claims at December 31 before the undernoted CTR Life <sup>(1)</sup>	22,614.6	22,412.4	16,289.4	16,596.3	14,378.2
CTR Life <sup>(1)</sup>	8.0	8.7	12.8	14.2	15.2
Provision for claims at December 31 - net	22,622.6	22,421.1	16,302.2	16,610.5	14,393.4
Reinsurers' share of provision for claims at December 31	6,459.1	6,189.7	3,179.6	3,205.9	3,355.7
Provision for claims at December 31 - gross	29,081.7	28,610.8	19,481.8	19,816.4	17,749.1

(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 run-off in 2002.*

The foreign exchange effect of change in provision for claims principally related to the impact in 2018 of the strengthening of the U.S. dollar relative to most other foreign currencies (principally at Northbridge, Odyssey Group, Fairfax Latam, Brit and Run-off). 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, Odyssey Group, Crum & Forster, Zenith National, Fairfax Asia, Insurance and Reinsurance - Other (comprised of Group Re, Bryte Insurance, Advent, Fairfax Latin America and Fairfax Central and Eastern Europe) and Run-off'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 Odyssey Group, Crum & Forster, Zenith National, Fairfax Asia, Insurance and Reinsurance - Other and Run-off 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, Odyssey Group, Crum & Forster and Zenith National show the development of the provision for losses and loss adjustment expenses by accident year commencing in 2008, with the re-estimated amount of each accident year's reserve development shown in subsequent years up to December 31, 2018. 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 2014 through 2018. The favourable or unfavourable development from prior years has been credited or charged to each year's earnings.

### Reconciliation of Provision for Claims - Northbridge

	2018	2017	2016	2015	2014
	<i>(In Cdn\$ except as indicated)</i>				
Provision for claims and LAE at January 1	1,956.8	1,936.1	1,950.8	1,982.4	2,016.9
Incurred losses on claims and LAE					
Provision for current accident year's claims	1,039.9	985.8	861.3	754.6	751.7
Foreign exchange effect on claims	11.0	(7.9)	(4.4)	20.9	8.6
Decrease in provision for prior accident years' claims	(138.2)	(121.3)	(149.2)	(119.9)	(121.7)
Total incurred losses on claims and LAE	912.7	856.6	707.7	655.6	638.6
Payments for losses on claims and LAE					
Payments on current accident year's claims	(458.6)	(433.0)	(360.4)	(315.5)	(304.7)
Payments on prior accident years' claims	(414.4)	(402.9)	(362.0)	(371.7)	(368.4)
Total payments for losses on claims and LAE	(873.0)	(835.9)	(722.4)	(687.2)	(673.1)
Provision for claims and LAE at December 31	1,996.5	1,956.8	1,936.1	1,950.8	1,982.4
<i>Exchange rate</i>	0.7322	0.7981	0.7457	0.7199	0.8634
Provision for claims and LAE at December 31 converted to U.S. dollars	1,461.8	1,561.8	1,443.7	1,404.4	1,711.6

The following table shows for Northbridge the original provision for losses and LAE at each calendar year-end commencing in 2008, the subsequent cumulative payments made on account of these years and the subsequent re-estimated amount of these reserves.

### Northbridge Calendar Year Claims Reserve Development

As at December 31	Calendar year										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	(In Cdn\$)										
Provision for claims including LAE	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	1,956.8	1,996.5
Cumulative payments as of:											
One year later	483.0	472.7	413.5	383.2	397.7	368.4	371.7	362.0	402.9	414.4	
Two years later	796.8	759.9	670.7	655.1	633.8	600.8	600.4	581.4	618.2		
Three years later	1,027.6	965.9	894.4	844.1	821.4	773.9	770.4	741.2			
Four years later	1,183.1	1,132.6	1,040.9	990.8	946.9	901.5	885.9				
Five years later	1,304.8	1,246.4	1,147.6	1,083.3	1,035.6	977.1					
Six years later	1,383.9	1,327.2	1,210.3	1,146.8	1,090.1						
Seven years later	1,438.4	1,371.8	1,252.6	1,185.3							
Eight years later	1,474.2	1,404.0	1,279.2								
Nine years later	1,499.8	1,424.2									
Ten years later	1,514.9										
Reserves re-estimated as of:											
One year later	1,883.8	1,965.8	1,957.1	1,967.1	1,925.1	1,903.0	1,881.2	1,796.8	1,807.8	1,828.1	
Two years later	1,901.2	1,962.0	1,914.4	1,861.7	1,822.3	1,794.6	1,724.8	1,669.9	1,674.1		
Three years later	1,901.5	1,917.7	1,810.2	1,776.7	1,728.2	1,651.3	1,604.2	1,552.0			
Four years later	1,865.8	1,827.0	1,742.8	1,701.1	1,619.0	1,543.7	1,490.5				
Five years later	1,794.1	1,780.7	1,692.0	1,627.7	1,529.8	1,447.5					
Six years later	1,779.6	1,754.7	1,639.9	1,556.0	1,453.6						
Seven years later	1,771.4	1,716.2	1,584.2	1,487.8							
Eight years later	1,753.2	1,679.2	1,531.5								
Nine years later	1,730.3	1,639.4									
Ten years later	1,702.5										
Favourable (unfavourable) development	229.3	333.9	462.8	542.9	623.6	569.4	491.9	398.8	262.0	128.7	

The net favourable prior year reserve development in 2018 of Cdn\$128.7 reflected in the table preceding this paragraph was comprised of net favourable reserve development of Cdn\$138.2, partially offset by net unfavourable foreign currency movements of Cdn\$9.5 related to the translation of U.S. dollar-denominated claims reserves (principally in the technical risks and transportation segments). The net favourable prior year reserve development in 2018 of Cdn\$138.2 reflected net favourable emergence on commercial liability, commercial automobile and personal automobile claims reserves specifically in respect of accident years 2013 through 2016. The strengthening of the the U.S. dollar relative to the Canadian dollar increased Northbridge's claims reserves in 2018 (expressed in Canadian dollars) by Cdn\$9.5 related to prior years' reserves and Cdn\$1.5 related to the current year's reserves, representing a total increase of Cdn\$11.0.

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

### Northbridge Accident Year Claims Reserve Development

As at December 31	Accident year										
	2008 & Prior	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	(In Cdn\$)										
End of first year	1,931.8	572.4	501.2	487.1	493.3	489.6	447.8	441.4	501.3	551.9	582.8
One year later	1,883.8	547.6	467.9	466.2	446.5	478.4	454.9	443.7	499.9	556.9	
Two years later	1,901.2	543.4	469.4	465.0	428.8	464.1	441.9	437.4	484.1		
Three years later	1,901.5	534.9	455.9	447.4	410.3	429.9	428.8	433.3			
Four years later	1,865.8	515.9	434.8	422.6	374.5	411.6	411.3				
Five years later	1,794.1	484.0	410.0	401.3	357.0	391.6					
Six years later	1,779.6	466.3	396.5	385.3	349.0						
Seven years later	1,771.4	446.0	377.8	369.8							
Eight years later	1,753.2	431.8	364.8								
Nine years later	1,730.3	419.9									
Ten years later	1,702.5										
Favourable (unfavourable) development	11.9%	26.6%	27.2%	24.1%	29.3%	20.0%	8.2%	1.8%	3.4%	(0.9)%	

Accident year 2017 experienced net unfavourable emergence principally related to the strengthening of the U.S. dollar relative to the Canadian dollar as well as higher than expected property losses. Accident year 2016 experienced net favourable emergence in each of the commercial and personal automobile segments. Accident year 2015 and prior experienced net favourable emergence across most operating segments.

### ***Odyssey Group***

The following table shows for Odyssey Group the provision for losses and LAE as originally and as currently estimated for the years 2014 through 2018. The favourable or unfavourable development from prior years has been credited or charged to each year's earnings.

#### *Reconciliation of Provision for Claims - Odyssey Group*

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Provision for claims and LAE at January 1	4,654.9	4,238.3	4,319.6	4,589.1	4,812.8
Incurred losses on claims and LAE					
Provision for current accident year's claims	2,062.2	1,826.6	1,443.3	1,421.0	1,473.1
Foreign exchange effect on claims	(77.5)	168.2	(27.6)	(141.5)	(186.2)
Decrease in provision for prior accident years' claims	(345.7)	(288.1)	(266.5)	(233.3)	(189.1)
Total incurred losses on claims and LAE	<u>1,639.0</u>	<u>1,706.7</u>	<u>1,149.2</u>	<u>1,046.2</u>	<u>1,097.8</u>
Payments for losses on claims and LAE					
Payments on current accident year's claims	(400.7)	(375.3)	(269.6)	(277.6)	(311.4)
Payments on prior accident years' claims	(1,021.1)	(914.8)	(960.9)	(1,038.1)	(1,010.1)
Total payments for losses on claims and LAE	<u>(1,421.8)</u>	<u>(1,290.1)</u>	<u>(1,230.5)</u>	<u>(1,315.7)</u>	<u>(1,321.5)</u>
Provision for claims and LAE at December 31	<u>4,872.1</u>	<u>4,654.9</u>	<u>4,238.3</u>	<u>4,319.6</u>	<u>4,589.1</u>

The following table shows for Odyssey Group the original provision for losses and LAE at each calendar year-end commencing in 2008, the subsequent cumulative payments made on account of these years and the subsequent re-estimated amount of these reserves.

### Odyssey Group Calendar Year Claims Reserve Development

As at December 31	Calendar year										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Provision for claims including LAE	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	4,654.9	4,872.1
Cumulative payments as of:											
One year later	1,024.2	988.2	1,403.0	1,132.4	1,066.1	1,010.1	1,038.1	960.9	914.8	1,021.1	
Two years later	1,676.1	2,006.8	2,053.7	1,760.2	1,642.9	1,601.7	1,625.2	1,454.8	1,431.1		
Three years later	2,567.1	2,484.3	2,482.0	2,152.9	2,040.8	2,004.8	1,960.1	1,791.5			
Four years later	2,942.5	2,823.6	2,766.9	2,437.9	2,330.3	2,237.2	2,186.9				
Five years later	3,206.4	3,046.0	2,971.7	2,649.5	2,488.9	2,399.8					
Six years later	3,376.6	3,194.9	3,136.1	2,758.5	2,608.9						
Seven years later	3,486.9	3,327.8	3,209.2	2,844.8							
Eight years later	3,596.1	3,372.3	3,276.4								
Nine years later	3,621.2	3,425.1									
Ten years later	3,660.0										
Reserves re-estimated as of:											
One year later	4,549.0	4,662.7	4,805.8	4,637.5	4,628.0	4,623.7	4,355.8	4,053.1	3,950.2	4,309.2	
Two years later	4,567.7	4,650.4	4,726.6	4,500.3	4,439.1	4,399.4	4,118.9	3,783.6	3,719.2		
Three years later	4,561.3	4,606.6	4,674.1	4,357.3	4,262.3	4,212.2	3,905.2	3,574.6			
Four years later	4,548.7	4,591.2	4,566.5	4,207.7	4,138.7	4,025.7	3,739.9				
Five years later	4,535.0	4,489.4	4,437.3	4,127.3	4,002.1	3,886.1					
Six years later	4,460.5	4,398.4	4,377.0	4,030.7	3,882.5						
Seven years later	4,404.1	4,353.6	4,312.9	3,929.6							
Eight years later	4,372.2	4,309.0	4,233.6								
Nine years later	4,340.8	4,239.6									
Ten years later	4,285.4										
Favourable (unfavourable) development	274.9	426.7	623.6	859.9	960.2	926.7	849.2	745.0	519.1	345.7	

Odyssey Group experienced net favourable prior year reserve development of \$345.7 in 2018, attributable to net favourable emergence on its non-U.S. reinsurance (\$170.4), U.S. reinsurance (\$120.7), U.S. insurance (\$34.8) and non-U.S. insurance (\$19.8) segments primarily related to both property and casualty claims reserves. The net favourable prior year development of \$345.7 principally related to property catastrophe claims reserves (\$171.2) and non-property catastrophe claims reserves (\$174.5) principally in the casualty segments for accident years 2015 and prior).

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

### Odyssey Group Accident Year Claims Reserve Development

As at December 31	Accident Year										
	2008 & Prior	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
End of first year	4,560.3	1,141.5	1,182.7	1,386.7	1,337.6	1,251.0	975.5	1,001.9	1,146.1	1,619.5	1,584.0
One year later	4,549.0	1,119.2	1,143.6	1,313.9	1,260.1	1,250.7	966.4	972.3	1,127.5	1,504.9	
Two years later	4,567.7	1,113.3	1,108.2	1,229.2	1,214.2	1,203.2	916.8	916.5	1,105.5		
Three years later	4,561.3	1,082.1	1,071.1	1,193.8	1,187.0	1,139.5	889.6	872.8			
Four years later	4,548.7	1,080.3	1,065.4	1,173.4	1,143.9	1,089.6	863.9				
Five years later	4,535.0	1,053.1	1,027.1	1,153.3	1,103.9	1,069.8					
Six years later	4,460.5	1,018.5	1,011.6	1,120.8	1,085.2						
Seven years later	4,404.1	1,005.5	992.1	1,099.0							
Eight years later	4,372.2	992.4	982.2								
Nine years later	4,340.8	978.4									
Ten years later	4,285.4										
Favourable (unfavourable) development	6.0%	14.3%	17.0%	20.7%	18.9%	14.5%	11.4%	12.9%	3.5%	7.1%	

Improvements in competitive conditions, reduced claim trends, and an improved economic environment beginning in the early 2000s resulted in a continued downward trend on re-estimated reserves for accident years 2008 through 2011. Initial loss estimates for those accident years did not fully anticipate the impact of improvements in market conditions and the impact of decreasing

frequency and severity trends would have on claims costs. In addition accident years 2011 through 2016 benefited from net favourable emergence on catastrophe and other short tail lines claims reserves.

### *Crum & Forster*

The following table shows for the Crum & Forster operations the provision for losses and LAE as originally and as currently estimated for the years 2014 through 2018. First Mercury was included in Crum & Forster beginning in 2011. For the years prior to 2006, Crum & Forster included 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. Run-off). The favourable or unfavourable development from prior years has been credited or charged to each year's earnings.

#### *Reconciliation of Provision for Claims - Crum & Forster*

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Provision for claims and LAE at January 1	2,588.8	2,539.5	2,438.2	2,005.1	1,941.8
Incurred losses on claims and LAE					
Provision for current accident year's claims	1,244.7	1,209.7	1,136.1	975.7	874.0
Decrease in provision for prior accident years' claims	(3.9)	(10.2)	(8.3)	—	—
Total incurred losses on claims and LAE	1,240.8	1,199.5	1,127.8	975.7	874.0
Payments for losses on claims and LAE					
Payments on current accident year's claims	(360.6)	(344.1)	(294.7)	(231.3)	(218.7)
Payments on prior accident years' claims	(905.0)	(806.1)	(731.8)	(311.3)	(592.0)
Total payments for losses on claims and LAE	(1,265.6)	(1,150.2)	(1,026.5)	(542.6)	(810.7)
Provision for claims and LAE at December 31	2,564.0	2,588.8	2,539.5	2,438.2	2,005.1

The following table shows for Crum & Forster the original provision for losses and LAE at each calendar year-end commencing in 2008, the subsequent cumulative payments made on account of these years and the subsequent re-estimated amounts of these reserves.

#### *Crum & Forster Calendar Year Claims Reserve Development*

<b>As at December 31</b>	<b>Calendar year</b>										
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Provision for claims including LAE	2,038.3	1,789.4	1,624.2	1,742.1	1,933.1	1,941.8	2,005.1	2,438.2	2,539.5	2,588.8	2,564.0
Cumulative payments as of:											
One year later	632.9	565.4	838.2	570.1	681.5	592.0	311.3	731.8	806.1	905.0	
Two years later	1,048.7	1,258.8	1,129.6	1,037.9	1,108.2	713.8	807.8	1,247.8	1,385.2		
Three years later	1,670.9	1,492.4	1,323.7	1,336.8	1,109.2	1,073.0	1,190.3	1,644.1			
Four years later	1,847.5	1,628.0	1,447.0	1,228.6	1,365.2	1,347.2	1,445.1				
Five years later	1,936.6	1,715.3	1,221.0	1,400.4	1,560.2	1,522.2					
Six years later	2,007.0	1,466.3	1,308.2	1,541.5	1,689.2						
Seven years later	1,739.0	1,533.8	1,383.8	1,636.5							
Eight years later	1,794.1	1,592.2	1,438.2								
Nine years later	1,843.9	1,637.2									
Ten years later	1,882.5										
Reserves re-estimated as of:											
One year later	2,013.3	1,800.7	1,661.5	1,796.0	1,941.4	1,941.8	2,005.1	2,430.0	2,529.3	2,584.9	
Two years later	2,015.5	1,833.4	1,662.8	1,830.5	1,990.5	1,930.7	1,998.4	2,415.2	2,522.0		
Three years later	2,063.1	1,836.7	1,639.1	1,876.4	1,996.6	1,950.5	1,996.1	2,420.5			
Four years later	2,062.4	1,819.3	1,630.0	1,884.4	2,027.7	1,946.6	2,016.5				
Five years later	2,041.5	1,812.0	1,637.4	1,916.6	2,036.6	1,972.3					
Six years later	2,036.6	1,821.3	1,645.0	1,923.3	2,068.7						
Seven years later	2,046.0	1,825.7	1,653.8	1,952.9							
Eight years later	2,050.7	1,829.5	1,667.4								
Nine years later	2,053.9	1,838.7									
Ten years later	2,060.1										
Favourable (unfavourable) development	(21.8)	(49.3)	(43.2)	(210.8)	(135.6)	(30.5)	(11.4)	17.7	17.5	3.9	



Crum & Forster experienced net favourable prior year development of \$3.9 in 2018 principally related to workers' compensation and casualty claims reserves, partially offset by net adverse development on commercial transportation claims reserves.

The following table is derived from the "Crum & Forster Calendar Year Claims Reserve Development" table above. It summarizes the effect of re-estimating prior year claims reserves by accident year.

*Crum & Forster Accident Year Claims Reserve Development*

As at December 31	Accident year										
	2008 & Prior	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
End of first year	2,196.2	514.9	497.9	546.1	707.1	682.0	655.3	744.3	841.4	865.6	884.2
One year later	2,171.2	524.0	502.4	577.7	681.0	632.9	666.4	742.9	845.9	869.0	
Two years later	2,173.4	509.2	520.1	602.0	684.2	615.6	639.8	730.4	833.3		
Three years later	2,220.9	525.8	540.5	634.7	682.2	604.3	641.4	715.2			
Four years later	2,208.9	534.4	544.3	623.5	681.2	591.5	636.2				
Five years later	2,190.1	538.4	542.6	623.7	683.4	585.0					
Six years later	2,195.5	539.1	551.0	618.0	685.9						
Seven years later	2,215.8	542.8	556.4	626.9							
Eight years later	2,235.6	544.1	563.2								
Nine years later	2,241.2	548.7									
Ten years later	2,250.5										
Favourable (unfavourable) development	(2.5)%	(6.6)%	(13.1)%	(14.8)%	3.0%	14.2%	2.9%	3.9%	1.0%	(0.4)%	

Accident year 2017 experienced net unfavourable emergence principally related to commercial automobile liability claims reserves. Accident year 2016 experienced net favourable emergence principally related to excess and surplus general liability claims reserves, partially offset by commercial automobile liability claims reserves. Accident years 2012 through 2015 experienced net favourable emergence on general liability, workers' compensation and group accident and health claims reserves. Accident years 2009 through 2011 experienced net unfavourable emergence principally related to unfavourable trends on general liability claims reserves at First Mercury and workers' compensation claims reserves. Accident years 2008 and prior experienced net unfavourable emergence principally related to the effects of increased frequency and severity on casualty claims reserves and included strengthening of asbestos, environmental and latent claims reserves through December 2011.

***Zenith National***

The following table shows for Zenith National the provision for losses and LAE as originally and as currently estimated for the years 2014 through 2018. The favourable or unfavourable development from prior years has been credited or charged to each year's earnings.

*Reconciliation of Provision for Claims - Zenith National*

	2018	2017	2016	2015	2014
Provision for claims and LAE at January 1	1,147.1	1,153.1	1,181.6	1,160.7	1,166.2
Incurred losses on claims and LAE					
Provision for current accident year's claims	453.4	478.0	459.3	449.0	449.0
Decrease in provision for prior accident years' claims	(85.3)	(76.4)	(101.0)	(89.6)	(72.6)
Total incurred losses on claims and LAE	368.1	401.6	358.3	359.4	376.4
Payments for losses on claims and LAE					
Payments on current accident year's claims	(135.3)	(138.1)	(125.8)	(113.8)	(112.3)
Payments on prior accident years' claims	(271.5)	(269.5)	(261.0)	(224.7)	(269.6)
Total payments for losses on claims and LAE	(406.8)	(407.6)	(386.8)	(338.5)	(381.9)
Provision for claims and LAE at December 31	1,108.4	1,147.1	1,153.1	1,181.6	1,160.7

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

### Zenith National Calendar Year Claims Reserve Development

As at December 31	Calendar year								
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Provision for claims including LAE	964.3	1,034.4	1,125.2	1,166.2	1,160.7	1,181.6	1,153.1	1,147.1	1,108.4
Cumulative payments as of:									
One year later	246.3	261.1	272.8	269.6	224.7	261.0	269.5	271.5	
Two years later	407.3	426.7	431.3	389.6	372.6	413.4	410.2		
Three years later	516.9	527.9	492.8	483.7	466.5	497.6			
Four years later	588.1	560.3	554.4	544.4	521.5				
Five years later	604.6	602.9	595.9	583.6					
Six years later	637.3	632.8	625.3						
Seven years later	659.4	654.8							
Eight years later	677.7								
Reserves re-estimated as of:									
One year later	988.8	1,032.9	1,089.2	1,093.6	1,071.1	1,080.6	1,076.7	1,061.8	
Two years later	1,001.8	1,037.4	1,051.9	1,039.2	1,001.7	1,030.4	1,020.3		
Three years later	1,006.1	1,018.0	1,013.9	992.1	966.2	989.6			
Four years later	996.4	990.2	978.2	967.6	939.9				
Five years later	975.3	964.2	960.8	947.9					
Six years later	954.8	949.1	945.6						
Seven years later	940.9	936.4							
Eight years later	930.2								
Favourable (unfavourable) development	34.1	98.0	179.6	218.3	220.8	192.0	132.8	85.3	

Zenith National experienced net favourable prior year development of \$85.3 in 2018 primarily related to workers' compensation claims reserves for accident years 2015 to 2017.

The following table is derived from the "Zenith National Calendar Year Claims Reserve Development" table above. It summarizes the effect of re-estimating prior year claims reserves by accident year.

### Zenith National Accident Year Claims Reserve Development

As at December 31	Accident year								
	2010 & Prior	2011	2012	2013	2014	2015	2016	2017	2018
End of first year	964.3	291.9	353.4	349.7	336.8	335.2	333.5	339.7	318.1
One year later	988.8	277.4	312.9	314.4	301.6	303.5	307.4	310.9	
Two years later	1,001.8	277.6	295.0	298.0	279.2	288.8	291.7		
Three years later	1,006.1	267.8	284.8	286.7	268.2	274.4			
Four years later	996.4	261.2	275.0	279.6	261.6				
Five years later	975.3	255.7	272.9	275.0					
Six years later	954.8	254.4	270.4						
Seven years later	940.9	252.4							
Eight years later	930.3								
Favourable (unfavourable) development	3.5%	13.5%	23.5%	21.4%	22.3%	18.1%	12.5%	8.5%	

All accident years have experienced net favourable emergence principally related to favourable trends on workers' compensation claims reserves.

### Fairfax Asia

The following table shows for Fairfax Asia the provision for losses and LAE as originally and as currently estimated for the years 2014 through 2018. 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*

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Provision for claims and LAE at January 1	175.8	395.0	396.3	372.6	360.0
Incurring losses on claims and LAE					
Provision for current accident year's claims	138.0	263.5	241.0	207.3	221.3
Foreign exchange effect on claims	(4.4)	23.7	(6.4)	(24.2)	(15.1)
Decrease in provision for prior accident years' claims	(24.4)	(53.1)	(50.7)	(35.5)	(20.6)
Total incurred losses on claims and LAE	109.2	234.1	183.9	147.6	185.6
Payments for losses on claims and LAE					
Payments on current accident year's claims	(62.8)	(115.7)	(93.2)	(59.7)	(63.1)
Payments on prior accident years' claims	(52.6)	(103.6)	(107.9)	(96.1)	(110.3)
Total payments for losses on claims and LAE	(115.4)	(219.3)	(201.1)	(155.8)	(173.4)
Insurance subsidiaries acquired during the year <sup>(1)</sup>	—	1.5	15.9	31.9	0.4
Divestiture of subsidiary <sup>(2)</sup>	—	(235.5)	—	—	—
Provision for claims and LAE at December 31	169.6	175.8	395.0	396.3	372.6

(1) Prudential Assurance Malaysia in 2017, AMAG Insurance and Fairfirst in 2016, MCIS Insurance Berhad and Union Assurance General Limited in 2015 and Fairfax Indonesia in 2014.

(2) First Capital in 2017.

The following table shows for Fairfax Asia the original provision for losses and LAE at each calendar year-end commencing in 2008, 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:

	<b>Year acquired</b>
Falcon Insurance	1998
Winterthur (Asia) (now part of First Capital)	2001
First Capital (sold in 2017)	2004
Pacific Insurance	2011
Fairfax Indonesia (now part of AMAG Insurance)	2014
Union Assurance (now part of Fairfirst Insurance)	2015
MCIS (now part of Pacific Insurance)	2015
AMAG Insurance	2016
Fairfirst Insurance	2016
Prudential Assurance Malaysia (now part of Pacific Insurance)	2017

*Fairfax Asia Calendar Year Claims Reserve Development*

As at December 31	Calendar year										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Provision for claims including LAE	113.2	138.7	203.0	266.0	318.8	360.0	372.6	396.3	395.0	175.8	169.6
Cumulative payments as of:											
One year later	41.0	44.6	62.2	82.1	88.3	110.3	96.1	107.9	103.6	52.6	
Two years later	56.5	65.2	92.4	120.0	135.3	157.7	132.0	141.4	122.8		
Three years later	62.8	75.7	106.3	142.9	164.7	178.6	147.6	149.5			
Four years later	66.2	80.5	115.7	160.7	176.8	184.3	151.8				
Five years later	67.7	83.2	123.0	166.4	176.7	186.3					
Six years later	68.5	86.3	124.9	162.8	177.2						
Seven years later	68.8	87.2	119.2	163.1							
Eight years later	69.2	80.5	119.3								
Nine years later	62.2	80.5									
Ten years later	62.1										
Reserves re-estimated as of:											
One year later	106.0	136.3	185.0	260.2	293.8	330.3	318.4	345.5	361.5	148.7	
Two years later	100.2	124.5	177.9	240.6	275.5	287.9	274.9	300.8	339.6		
Three years later	93.2	118.4	165.8	226.8	248.5	258.5	241.2	284.7			
Four years later	89.2	110.1	161.7	212.2	230.6	235.3	231.5				
Five years later	83.9	108.0	153.8	200.4	216.9	230.7					
Six years later	82.7	104.0	146.8	192.7	215.0						
Seven years later	80.5	99.9	141.2	192.2							
Eight years later	77.5	95.3	140.9								
Nine years later	73.6	95.1									
Ten years later	73.5										
Favourable (unfavourable) development	39.7	43.6	62.1	73.8	103.8	129.3	141.1	111.6	55.4	27.1	

The net favourable prior year reserve development in 2018 of \$27.1 reflected in the table preceding this paragraph was comprised of \$24.4 of net favourable reserve development and \$2.7 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 2018 of \$24.4 principally reflected net favourable emergence on commercial automobile, workers' compensation and marine claims reserves. Principally as a result of the strengthening of the U.S. dollar relative to the Sri Lankan rupee in 2018, the claims reserves of Fairfax Asia (expressed in U.S. dollars) decreased by \$2.7 in respect of prior years' reserves and \$1.7 in respect of the current year's reserves, representing a total decrease of \$4.4.

***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 2014 through 2018. 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*

	2018	2017	2016	2015	2014
Provision for claims and LAE at January 1	1,060.8	828.4	796.9	877.1	966.6
Incurred losses on claims and LAE					
Provision for current accident year's claims	684.3	524.4	289.7	297.0	276.0
Foreign exchange effect on claims	(120.9)	49.5	(0.5)	(72.5)	(58.7)
Decrease in provision for prior accident years' claims	(26.9)	(36.3)	(60.4)	(68.3)	(53.2)
Total incurred losses on claims and LAE	536.5	537.6	228.8	156.2	164.1
Payments for losses on claims and LAE					
Payments on current accident year's claims	(254.7)	(217.1)	(77.0)	(63.1)	(49.1)
Payments on prior accident years' claims	(314.9)	(230.6)	(187.7)	(174.8)	(204.5)
Total payments for losses on claims and LAE	(569.6)	(447.7)	(264.7)	(237.9)	(253.6)
Insurance subsidiaries acquired during the year <sup>(1)</sup>	4.5	142.5	67.4	1.5	—
Provision for claims and LAE at December 31 excluding CTR Life	1,032.2	1,060.8	828.4	796.9	877.1
CTR Life <sup>(2)</sup>	8.0	8.7	12.8	14.2	15.2
Provision for claims and LAE at December 31	1,040.2	1,069.5	841.2	811.1	892.3

(1) Insurance operations acquired from AIG in Uruguay and an increase in Fairfax Brasil's participation in a Motor pool in 2018, Fairfax Latam and an increase in Fairfax Brasil's motor pool share in 2017, Bryte Insurance and an increase in Fairfax Brasil's motor pool share in 2016, Colonnade Ukraine in 2015.

(2) 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 run-off 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 2007, the subsequent cumulative payments made on account of these years and the subsequent re-estimated amount of these reserves.

*Insurance and Reinsurance - Other Calendar Year Claims Reserve Development<sup>(1)</sup>*

As at December 31	Calendar Year										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Provisions for claims including LAE	742.0	1,004.1	1,024.4	995.5	1,046.5	966.6	877.1	796.9	828.4	1,060.8	1,032.2
Cumulative payments as of:											
One year later	197.7	240.5	278.8	261.7	262.3	204.5	174.8	187.7	230.6	314.9	
Two years later	262.5	421.8	395.6	437.9	403.6	322.6	274.5	293.8	383.9		
Three years later	401.0	503.7	507.4	535.8	481.3	388.4	344.6	394.5			
Four years later	461.2	578.5	570.1	595.0	529.5	444.2	412.3				
Five years later	517.7	624.9	609.7	630.7	572.5	495.5					
Six years later	546.1	650.3	634.4	665.1	616.2						
Seven years later	560.6	668.9	665.6	691.2							
Eight years later	571.8	688.9	674.1								
Nine years later	589.8	699.5									
Ten years later	593.4										
Reserves re-estimated as of:											
One year later	833.5	989.2	966.2	1,016.9	996.6	866.8	745.8	737.7	828.5	934.3	
Two years later	833.0	939.8	993.1	986.9	915.5	772.8	701.2	734.0	781.3		
Three years later	787.6	959.0	966.9	941.9	848.4	736.9	706.2	718.4			
Four years later	801.9	946.5	929.8	886.0	820.5	748.9	686.4				
Five years later	785.9	915.0	891.1	860.4	837.1	727.3					
Six years later	759.5	882.8	876.9	873.4	817.6						
Seven years later	736.5	876.6	879.4	848.7							
Eight years later	730.0	877.6	865.1								
Nine years later	724.1	866.8									
Ten years later	716.7										
Favourable (unfavourable) development	25.3	137.3	159.3	146.8	228.9	239.3	190.7	78.5	47.1	126.5	

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

The net favourable prior year reserve development in 2018 of \$126.5 reflected in the table preceding this paragraph was comprised of net favourable reserve development of \$26.9 and net favourable foreign currency movements of \$99.6 related to the translation of non-U.S. dollar-denominated claims reserves (principally the translation of the Argentine peso-denominated claims reserves at Fairfax Latam). The net favourable prior year reserve development in 2018 of \$26.9 was principally comprised of net favourable emergence at Advent, Group Re and Bryte Insurance, partially offset by net unfavourable emergence at Fairfax Latam (principally related to long tail casualty coverages in Argentina due to the macro economic conditions) and Fairfax CEE (principally automobile third party liability and property claims reserves at Polish Re). Principally as a result of the strengthening of the U.S. dollar relative to the Argentine peso, the claims reserves of Insurance and Reinsurance - Other (expressed in U.S. dollars) decreased by \$99.6 in respect of prior years' reserves and \$21.3 in respect of the current year's reserves, representing a total decrease of \$120.9.

### ***Run-off***

The following table shows for the Run-off operations the provision for losses and LAE as originally and as currently estimated for the years 2014 through 2018. The favourable or unfavourable development from prior years has been credited or charged to each year's earnings.

#### *Reconciliation of Provision for Claims - Run-off*

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Provision for claims and LAE at January 1	2,635.5	3,026.3	3,474.1	3,693.8	3,843.9
Incurred losses on claims and LAE					
Provision for current accident year's claims <sup>(1)</sup>	397.6	12.9	156.7	366.1	192.1
Foreign exchange effect on claims	(39.8)	52.0	(45.1)	(62.9)	(75.5)
Increase in provision for prior accident years' claims	208.4	112.5	79.5	53.1	71.3
Total incurred losses on claims and LAE	566.2	177.4	191.1	356.3	187.9
Payments for losses on claims and LAE					
Payments on current accident year's claims	(16.3)	—	(10.8)	(26.1)	(35.4)
Payments on prior accident years' claims	(470.4)	(568.2)	(628.1)	(552.4)	(302.6)
Total payments for losses on claims and LAE	(486.7)	(568.2)	(638.9)	(578.5)	(338.0)
Provision for claims and LAE at December 31 before the undernoted	2,715.0	2,635.5	3,026.3	3,471.6	3,693.8
Run-off subsidiaries acquired and reinsurance transactions during the year <sup>(2)</sup>	529.3	—	—	2.5	—
Provision for claims and LAE at December 31	3,244.3	2,635.5	3,026.3	3,474.1	3,693.8

(1) Excludes a gain of \$103.7 related to the Part VII transfer component of the RiverStone (UK) acquisition transactions in 2018 (described in the Run-off segment of the MD&A).

(2) Reinsurance transactions are comprised of the RiverStone (UK) acquisition transactions, the Advent reinsurance transaction, the Brit reinsurance transaction and the Other 2018 reinsurance transactions (collectively the "fourth quarter of 2018 reinsurance transactions") in 2018 as described in the Run-off segment of the MD&A. Comprised of two Canadian branches of AXA (which were already in runoff) in 2015.

Run-off experienced net unfavourable development of prior years' reserves in 2018 of \$208.4, reflecting net unfavourable prior year reserve development of \$197.1 and \$11.3 at U.S. Run-off and European Run-off respectively. Net unfavourable prior year reserve development of \$197.1 at U.S. Run-off was principally comprised of \$143.6 related to APH exposures assumed primarily from Crum & Forster and in the legacy portfolio of Clearwater Insurance, \$38.6 of strengthening of other claims reserves principally related to construction defect and habitational risk exposures and \$31.7 strengthening of unallocated loss adjustment expenses principally at TIG insurance, partially offset by \$16.8 of net favourable prior year reserve development at TIG Insurance related to workers' compensation claims reserves. Net unfavourable prior year reserve development of \$11.3 at European Run-off principally related to reserve strengthening on one specific loss.