



Fairfax Financial Holdings Limited

Annual Financial Supplement December 31, 2021

Readers of this Annual Financial Supplement are advised to read it in conjunction with the Annual Report for the year ended December 31, 2021. This Annual Financial Supplement contains the supplementary financial measure of net favourable or adverse prior year reserve development which is comprised of losses on claims, net (as presented in the company's consolidated statement of earnings) excluding current accident year claims losses and loss adjustment expenses. This measure does not have a prescribed meaning under IFRS and may not be comparable to similar financial measures presented by other issuers. 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 ("LAE")

The provision for losses and loss adjustment expenses ("LAE") (often called "loss reserves" or "provision for claims") is established by the company's insurance companies using the case method when 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 premium and loss information received from ceding companies to establish estimates of their provisions for losses. 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 losses including incurred but not reported losses 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 claims becomes known and the provision for losses 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 can be developed.

The development of the provision for losses is often measured as the difference between estimates of reserves as of the initial year-end and the re-estimated reserves 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 adverse development (or deficiencies) means that the original reserve estimates were lower than subsequently indicated. The net favourable prior year reserve development in the two tables that follow excludes the net favourable (adverse) prior year reserve development of a subsidiary in the year it is acquired. In the second table below, a subsidiary's provision for losses balance at December 31 in the year of acquisition is included in the line "Provision for losses and LAE of companies acquired and reinsurance transactions during the year at December 31", whereas the net favourable prior year 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, 2021 and the Consolidated Financial Statements for the year ended December 31, 2021 includes the net favourable or adverse reserve development of a subsidiary from its acquisition date.

	Favourable/(Adverse)	
	2021	2020
Property and Casualty Insurance and Reinsurance		
Northbridge	29.2	39.2
Odyssey Group	120.1	219.5
Crum & Forster	3.7	5.2
Zenith National	70.8	74.1
Brit	100.1	62.8
Allied World	(18.8)	5.1
Fairfax Asia ⁽¹⁾	17.5	18.5
Other ⁽²⁾	26.1	30.5
	<u>348.7</u>	<u>454.9</u>
Run-off	(224.6)	(132.6)
Net favourable prior year reserve development	<u>124.1</u>	<u>322.3</u>

(1) Excludes net favourable prior year reserve development of companies acquired in 2021 – Singapore Re (\$4.0).

(2) Excludes net favourable prior year reserve development of companies acquired in 2021 – Eurolife General (\$2.9).

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

Reconciliation of Provision for Losses and LAE - Consolidated

	2021	2020
Provision for losses and LAE at January 1 - net	22,856.5	21,558.4
Foreign exchange effect of change in provision for claims	(236.8)	190.5
Losses on claims for claims occurring:		
in the current year	10,756.5	9,520.0
in the prior years - net favourable development	(124.1)	(322.3)
Paid on claims occurring during:		
the current year	(2,380.6)	(2,540.4)
the prior years	(5,594.7)	(5,521.9)
Provision for losses and LAE of companies acquired and reinsurance transactions during the year, at December 31	210.0	—
Divestitures during the year	(12.3)	(27.8)
Provision for losses and LAE at December 31 before the undernoted CTR Life ⁽¹⁾	25,474.5	22,856.5
	4.4	5.5
Provision for losses and LAE at December 31 - net	25,478.9	22,862.0
Reinsurers' share of provision for losses and LAE at December 31	8,943.9	7,947.3
Provision for losses and LAE at December 31 - gross	<u>34,422.8</u>	<u>30,809.3</u>

(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 in 2021 primarily reflected the strengthening of the U.S. dollar relative to the euro (primarily at Odyssey Group, Brit and Allied World) and the Chilean, Argentinian and Colombian pesos, Polish zloty and South African rand. The company generally 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, Brit, Allied World, Fairfax Asia, Insurance and Reinsurance - Other (comprised of Group Re, Bryte Insurance, Fairfax Latin America, Fairfax Central and Eastern Europe and Eurolife General) and Run-off's net provision for claims. As 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, while the remaining property and casualty insurance and reinsurance companies 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 year 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 (adverse) development reflected for that prior year is also reflected in the favourable (adverse) 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 2011, with the re-estimated amount of each accident year's reserve development shown in subsequent years up to December 31, 2021. All claims are attributed back to the year of loss, regardless of when they were reported or adjusted. For example, accident year 2014 represents all claims with a date of loss between January 1, 2014 and December 31, 2014. 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 2020 and 2021. The favourable development from prior years has been credited to each year's earnings.

Reconciliation of Provision for Losses and LAE - Northbridge

	2021	2020
	<i>(In Cdn\$ except as indicated)</i>	
Provision for losses and LAE at January 1	2,308.6	2,095.5
Losses on claims and LAE		
For current accident year's claims	1,300.8	1,178.2
Decrease for prior accident years' claims	(36.6)	(52.6)
Foreign exchange effect on claims	(0.7)	(1.8)
Total losses on claims and LAE	<u>1,263.5</u>	<u>1,123.8</u>
Payments for losses on claims and LAE		
Payments on current accident year's claims	(460.8)	(464.6)
Payments on prior accident years' claims	(429.1)	(446.1)
Total payments for losses on claims and LAE	<u>(889.9)</u>	<u>(910.7)</u>
Provision for losses and LAE at December 31	2,682.2	2,308.6
<i>Exchange rate</i>	0.7917	0.7849
Provision for losses and LAE at December 31 converted to U.S. dollars	<u>2,123.5</u>	<u>1,812.0</u>

The following table shows for Northbridge the original provision for losses and LAE at each calendar year-end commencing in 2011, 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										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	<i>(In Cdn\$)</i>										
Provision for claims including LAE	2,030.7	2,077.2	2,016.9	1,982.4	1,950.8	1,936.1	1,956.8	1,996.5	2,095.5	2,308.6	2,682.2
Cumulative payments as of:											
One year later	383.2	397.7	368.4	371.7	362.0	402.9	414.4	444.8	446.1	429.1	
Two years later	655.1	633.8	600.8	600.4	581.4	618.2	655.7	681.7	688.4		
Three years later	844.1	821.4	773.9	770.4	741.2	793.1	833.1	860.1			
Four years later	990.8	946.9	901.5	885.9	869.7	920.2	965.4				
Five years later	1,083.3	1,035.6	977.1	982.4	964.6	1,010.1					
Six years later	1,146.8	1,090.1	1,047.9	1,048.7	1,020.9						
Seven years later	1,185.3	1,136.4	1,086.7	1,079.9							
Eight years later	1,218.7	1,162.5	1,107.3								
Nine years later	1,237.5	1,176.5									
Ten years later	1,248.4										
Reserves re-estimated as of:											
One year later	1,967.1	1,925.1	1,903.0	1,881.2	1,796.8	1,807.8	1,828.1	1,901.9	2,042.8	2,270.9	
Two years later	1,861.7	1,822.3	1,794.6	1,724.8	1,669.9	1,674.1	1,733.3	1,849.4	2,027.6		
Three years later	1,776.7	1,728.2	1,651.3	1,604.2	1,552.0	1,581.6	1,693.3	1,842.6			
Four years later	1,701.1	1,619.0	1,543.7	1,490.5	1,459.8	1,544.0	1,693.2				
Five years later	1,627.7	1,529.8	1,447.5	1,416.3	1,426.1	1,542.5					
Six years later	1,556.0	1,453.6	1,375.7	1,392.4	1,434.5						
Seven years later	1,487.8	1,398.5	1,361.4	1,412.5							
Eight years later	1,439.7	1,389.6	1,390.6								
Nine years later	1,432.3	1,422.6									
Ten years later	1,467.0										
Favourable development	563.7	654.6	626.3	569.9	516.3	393.6	263.6	153.9	67.9	37.7	

The net favourable prior year reserve development in 2021 of Cdn\$37.7 reflected in the table preceding this paragraph was comprised of net favourable favourable reserve development of Cdn\$36.6 and net favourable foreign currency movements of Cdn\$1.1 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 2021 of Cdn\$36.6 reflected net favourable

emergence across automobile and property lines of business primarily related to accident years 2018 through 2020, partially offset by net adverse loss emergence on mass latent claims from Northbridge's legacy business.

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	2011 & Prior	Accident year									
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
					(In Cdn\$)						
End of first year	2,030.7	493.3	489.6	447.8	441.4	501.3	551.9	582.8	638.4	711.8	840.5
One year later	1,967.1	446.5	478.4	454.9	443.7	499.9	556.9	583.0	638.2	689.5	
Two years later	1,861.7	428.8	464.1	441.9	437.4	484.1	554.7	570.4	629.8		
Three years later	1,776.7	410.3	429.9	428.8	433.3	483.8	552.3	563.8			
Four years later	1,701.1	374.5	411.6	411.3	415.3	479.9	553.7				
Five years later	1,627.7	357.0	391.6	408.9	405.4	469.9					
Six years later	1,556.0	349.0	374.9	399.4	393.8						
Seven years later	1,487.8	342.0	369.5	390.2							
Eight years later	1,439.7	340.5	365.7								
Nine years later	1,432.3	338.7									
Ten years later	1,467.0										
Favourable (adverse) development	27.8 %	31.3 %	25.3 %	12.9 %	10.8 %	6.3 %	(0.3)%	3.3 %	1.3 %	3.1 %	

Accident year 2020 experienced net favourable loss emergence principally related to commercial automobile, personal automobile and commercial property claims reserves. Accident years 2018 and 2019 experienced net favourable loss emergence principally related to commercial automobile, personal automobile and commercial property claims reserves, partially offset by net adverse loss emergence related to general liability claims reserves. Accident year 2017 experienced net adverse loss emergence principally related to the strengthening of the U.S. dollar relative to the Canadian dollar from 2017 to 2020, as well as higher than expected property losses. Accident years 2012 through 2016 experienced net favourable loss emergence across most major lines of business. Accident years 2011 and prior experienced net favourable loss emergence across most major lines of business, partially offset by the strengthening of latent abuse claims reserves.

Odyssey Group

The following table shows for Odyssey Group the provision for losses and LAE as originally and as currently estimated for the years 2020 and 2021. The favourable development from prior years has been credited to each year's earnings.

Reconciliation of Provision for Losses and LAE - Odyssey Group

	2021	2020
Provision for losses and LAE at January 1	5,869.2	5,264.3
Losses on claims and LAE		
For current accident year's claims	3,108.2	2,650.4
Decrease for prior accident years' claims	(120.1)	(219.5)
Foreign exchange effect on claims	(109.5)	126.4
Total losses on claims and LAE	2,878.6	2,557.3
Payments for losses on claims and LAE		
Payments on current accident year's claims	(586.4)	(580.7)
Payments on prior accident years' claims	(1,378.1)	(1,371.7)
Total payments for losses on claims and LAE	(1,964.5)	(1,952.4)
Provision for losses and LAE at December 31	6,783.3	5,869.2

The following table shows for Odyssey Group the original provision for losses and LAE at each calendar year-end commencing in 2011, 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										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Provision for claims including LAE	4,789.5	4,842.7	4,812.8	4,589.1	4,319.6	4,238.3	4,654.9	4,872.1	5,264.3	5,869.2	6,783.3
Cumulative payments as of:											
One year later	1,132.4	1,066.1	1,010.1	1,038.1	960.9	914.8	1,021.1	1,247.8	1,371.7	1,378.1	
Two years later	1,760.2	1,642.9	1,601.7	1,625.2	1,454.8	1,431.1	1,591.4	1,913.1	2,077.9		
Three years later	2,152.9	2,040.8	2,004.8	1,960.1	1,791.5	1,801.4	1,980.6	2,315.8			
Four years later	2,437.9	2,330.3	2,237.2	2,186.9	2,029.1	2,057.6	2,242.8				
Five years later	2,649.5	2,488.9	2,399.8	2,358.5	2,196.0	2,260.0					
Six years later	2,758.5	2,608.9	2,527.7	2,477.7	2,338.0						
Seven years later	2,844.8	2,705.6	2,646.1	2,586.7							
Eight years later	2,917.1	2,801.1	2,753.7								
Nine years later	2,997.4	2,897.0									
Ten years later	3,083.8										
Reserves re-estimated as of:											
One year later	4,637.5	4,628.0	4,623.7	4,355.8	4,053.1	3,950.2	4,309.2	4,642.5	5,044.8	5,749.1	
Two years later	4,500.3	4,439.1	4,399.4	4,118.9	3,783.6	3,719.2	4,098.3	4,448.9	4,913.8		
Three years later	4,357.3	4,262.3	4,212.2	3,905.2	3,574.6	3,543.6	3,911.1	4,343.4			
Four years later	4,207.7	4,138.7	4,025.7	3,739.9	3,420.1	3,379.0	3,811.6				
Five years later	4,127.3	4,002.1	3,886.1	3,620.2	3,282.5	3,313.3					
Six years later	4,030.7	3,882.5	3,786.8	3,511.0	3,223.1						
Seven years later	3,929.6	3,821.2	3,678.3	3,458.1							
Eight years later	3,883.0	3,729.1	3,623.4								
Nine years later	3,807.5	3,676.1									
Ten years later	3,762.7										
Favourable development	1,026.8	1,166.6	1,189.4	1,131.0	1,096.5	925.0	843.3	528.7	350.5	120.1	

Odyssey Group experienced net favourable prior year reserve development of \$120.1 in 2021, attributable to net favourable loss emergence on its non-U.S. reinsurance (\$79.2), U.S. insurance (\$44.6) and non-U.S. insurance (\$16.5) segments primarily related to both property and casualty claims reserves, partially offset by net adverse prior year reserve development on U.S. reinsurance segment (\$20.2) primarily related to casualty claims. The net favourable prior year reserve development of \$120.1 principally related to non-property catastrophe claims reserves (\$64.0 across many segments) and property catastrophe claims reserves (\$56.1).

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										
	2011 & Prior	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
End of first year	4,789.5	1,337.6	1,251.0	975.5	1,001.9	1,146.1	1,619.5	1,584.0	1,869.6	2,196.2	2,412.4
One year later	4,637.5	1,260.1	1,250.7	966.4	972.3	1,127.5	1,504.9	1,565.4	1,843.7	2,207.0	
Two years later	4,500.3	1,214.2	1,203.2	916.8	916.5	1,105.5	1,469.5	1,559.0	1,818.3		
Three years later	4,357.3	1,187.0	1,139.5	889.6	872.8	1,084.4	1,446.9	1,553.0			
Four years later	4,207.7	1,143.9	1,089.6	863.9	838.1	1,057.4	1,413.2				
Five years later	4,127.3	1,103.9	1,069.8	843.5	809.6	1,051.0					
Six years later	4,030.7	1,085.2	1,031.7	842.8	803.1						
Seven years later	3,929.6	1,070.6	1,015.3	844.9							
Eight years later	3,883.0	1,054.0	1,013.4								
Nine years later	3,807.5	1,045.8									
Ten years later	3,762.7										
Favourable (adverse) development	21.4 %	21.8 %	19.0 %	13.4 %	19.8 %	8.3 %	12.7 %	2.0 %	2.7 %	(0.5)%	

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 2003 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 2019 benefited from net favourable loss 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 2020 and 2021. First Mercury was included in Crum & Forster beginning in 2011. The favourable development from prior years has been credited to each year's earnings.

Reconciliation of Provision for Losses and LAE - Crum & Forster

	2021	2020
Provision for losses and LAE at January 1	2,834.6	2,621.2
Losses on claims and LAE		
For current accident year's claims ⁽¹⁾	1,793.0	1,521.6
Decrease for prior accident years' claims	(3.7)	(5.2)
Total losses on claims and LAE	1,789.3	1,516.4
Payments for losses on claims and LAE		
Payments on current accident year's claims	(489.2)	(417.1)
Payments on prior accident years' claims ⁽¹⁾	(1,254.6)	(885.9)
Total payments for losses on claims and LAE	(1,743.8)	(1,303.0)
Provision for losses and LAE at December 31	2,880.1	2,834.6

(1) Effective October 1, 2021 Crum & Forster completed a loss portfolio transfer with Resolution Group Reinsurance (Barbados) Limited, a company within the Life insurance and Run-off reporting segment, to reinsure all net reserves for risks predominantly comprised of property, liability and workers' compensation exposures relating to accident years 2014 and prior (the "fourth quarter 2021 intercompany reinsurance transaction"). This transaction resulted in Crum & Forster ceding \$358.1 of net insurance contract liabilities in exchange for consideration of \$358.1 which was recorded as a reduction in net premiums written, net premiums earned and losses on claims of \$358.1, and eliminated within Fairfax's consolidated financial reporting. Losses on claims and LAE for the current accident year and payments on prior accident years' claims in the table above have been increased by \$358.1 to adjust for the ceding of claims which related to prior accident years which were included within the provision for losses and LAE at December 31, 2020 and is included within the cumulative payments as of one year later in the 2020 column in the table below.

The following table shows for Crum & Forster the original provision for losses and LAE at each calendar year-end commencing in 2011, 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

	Calendar year										
As at December 31	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Provision for claims including LAE	1,742.1	1,933.1	1,941.8	2,005.1	2,438.2	2,539.5	2,588.8	2,564.0	2,621.2	2,834.6	2,880.1
Cumulative payments as of:											
One year later	570.1	681.5	592.0	311.3	731.8	806.1	905.0	901.7	885.9	1,254.6	
Two years later	1,037.9	1,108.2	713.8	807.8	1,247.8	1,385.2	1,473.3	1,451.0	1,778.6		
Three years later	1,336.8	1,109.2	1,073.0	1,190.3	1,644.1	1,768.1	1,849.6	2,174.5			
Four years later	1,228.6	1,365.2	1,347.2	1,445.1	1,882.3	2,015.1	2,453.2				
Five years later	1,400.4	1,560.2	1,522.2	1,607.9	2,044.1	2,527.1					
Six years later	1,541.5	1,689.2	1,633.5	1,725.8	2,515.3						
Seven years later	1,636.5	1,778.0	1,726.7	2,418.9							
Eight years later	1,711.8	1,855.3	2,079.1								
Nine years later	1,773.4	2,155.9									
Ten years later	2,021.7										
Reserves re-estimated as of:											
One year later	1,796.0	1,941.4	1,941.8	2,005.1	2,430.0	2,529.3	2,584.9	2,557.8	2,616.0	2,830.9	
Two years later	1,830.5	1,990.5	1,930.7	1,998.4	2,415.2	2,522.0	2,567.0	2,579.8	2,740.6		
Three years later	1,876.4	1,996.6	1,950.5	1,996.1	2,420.5	2,519.6	2,617.0	2,734.0			
Four years later	1,884.4	2,027.7	1,946.6	2,016.5	2,429.9	2,560.6	2,769.7				
Five years later	1,916.6	2,036.6	1,972.3	2,049.2	2,475.4	2,694.5					
Six years later	1,923.3	2,068.7	2,003.4	2,085.3	2,575.2						
Seven years later	1,952.9	2,097.2	2,031.4	2,171.8							
Eight years later	1,981.6	2,125.6	2,101.3								
Nine years later	2,002.9	2,177.7									
Ten years later	2,043.2										
Favourable (adverse) development	(301.1)	(244.6)	(159.5)	(166.7)	(137.0)	(155.0)	(180.9)	(170.0)	(119.4)	3.7	

The net favourable prior year reserve development in 2021 of \$3.7 reflected net favourable loss emergence principally related to workers' compensation claims reserves, partially offset by net adverse loss emergence on its commercial auto liability 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										
	2011 & Prior	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
End of first year	1,742.1	707.1	682.0	655.3	744.3	841.4	865.6	884.2	965.2	1,104.4	1,303.8
One year later	1,796.0	681.0	632.9	666.4	742.9	845.9	869.0	895.8	938.0	976.1	
Two years later	1,830.5	684.2	615.6	639.8	730.4	833.3	853.5	867.9	908.3		
Three years later	1,876.4	682.2	604.3	641.4	715.2	821.4	862.5	869.4			
Four years later	1,884.4	681.2	591.5	636.2	692.0	817.0	881.2				
Five years later	1,916.6	683.4	585.0	637.7	701.4	851.2					
Six years later	1,923.3	685.9	587.8	645.9	714.6						
Seven years later	1,952.9	685.7	587.3	662.5							
Eight years later	1,981.6	692.9	605.1								
Nine years later	2,002.9	704.6									
Ten years later	2,043.2										
Favourable (adverse) development	(17.3)%	0.4 %	11.3 %	(1.1)%	4.0 %	(1.2)%	(1.8)%	1.7 %	5.9 %	11.6 %	

Accident year 2020 experienced net favorable loss emergence principally related to both primary and excess liability and workers' compensation claims reserves. Accident year 2019 experienced net favourable loss emergence principally related to workers' compensation and general liability claims reserves, partially offset by net adverse loss emergence on commercial auto liability claims reserves. Accident year 2018 experienced net favourable loss emergence principally related to workers' compensation and excess casualty claims reserves, partially offset by net adverse loss emergence on commercial auto liability claims reserves. Accident years 2014, 2016 and 2017 experienced net adverse loss emergence principally related to commercial auto liability claims reserves, partially offset by net favourable loss emergence on workers' compensation claims reserves. Accident years 2012, 2013 and 2015 experienced net favourable loss emergence on general liability, workers' compensation and group accident and health claims reserves. Accident years 2011 and prior experienced net adverse loss emergence principally related to the strengthening of asbestos and other mass tort claims reserves through December 2011 and the strengthening of construction liability claims reserves post 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 2020 and 2021. The favourable development from prior years has been credited to each year's earnings.

Reconciliation of Provision for Losses and LAE - Zenith National

	2021	2020
Provision for losses and LAE at January 1	1,028.2	1,053.2
Losses on claims and LAE		
For current accident year's claims	427.5	401.8
Decrease for prior accident years' claims	(70.8)	(74.1)
Total losses on claims and LAE	356.7	327.7
Payments for losses on claims and LAE		
Payments on current accident year's claims	(128.6)	(114.1)
Payments on prior accident years' claims	(244.8)	(238.6)
Total payments for losses on claims and LAE	(373.4)	(352.7)
Provision for losses and LAE at December 31	1,011.5	1,028.2

The following table shows for Zenith National the original provision for losses and LAE at each calendar year-end commencing in 2011, 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										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Provision for claims including LAE	1,034.4	1,125.2	1,166.2	1,160.7	1,181.6	1,153.1	1,147.1	1,108.4	1,053.2	1,028.2	1,011.5
Cumulative payments as of:											
One year later	261.1	272.8	269.6	224.7	261.0	269.5	271.5	260.9	238.6	244.8	
Two years later	426.7	431.3	389.6	372.6	413.4	410.2	441.8	389.9	377.1		
Three years later	527.9	492.8	483.7	466.5	497.6	495.5	490.2	471.6			
Four years later	560.3	554.4	544.4	521.5	552.4	545.9	539.6				
Five years later	602.9	595.9	583.6	561.0	585.9	579.6					
Six years later	632.8	625.3	613.9	588.0	610.3						
Seven years later	654.8	650.6	634.8	606.2							
Eight years later	675.0	669.0	649.1								
Nine years later	689.8	680.5									
Ten years later	699.4										
Reserves re-estimated as of:											
One year later	1,032.9	1,089.2	1,093.6	1,071.1	1,080.6	1,076.7	1,061.8	1,026.3	979.1	957.4	
Two years later	1,037.4	1,051.9	1,039.2	1,001.7	1,030.4	1,020.3	1,010.4	971.8	948.5		
Three years later	1,018.0	1,013.9	992.1	966.2	989.6	983.8	967.5	944.8			
Four years later	990.2	978.2	967.6	939.9	963.3	952.6	947.3				
Five years later	964.2	960.8	947.9	922.2	938.8	932.0					
Six years later	949.1	945.6	933.4	903.1	919.5						
Seven years later	936.4	935.2	917.9	884.7							
Eight years later	927.2	923.1	901.5								
Nine years later	917.8	907.7									
Ten years later	904.8										
Favourable development	129.6	217.5	264.7	276.0	262.1	221.1	199.8	163.6	104.7	70.8	

Zenith National experienced net favourable prior year reserve development of \$70.8 in 2021 primarily related to net favourable loss emergence on workers' compensation claims reserves for accident years 2018 through 2020, including net favourable emergence on COVID-19 losses.

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										
	2011 & Prior	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
End of first year	1,034.4	353.4	349.7	336.8	335.2	333.5	339.7	318.1	287.8	287.7	298.9
One year later	1,032.9	312.9	314.4	301.6	303.5	307.4	310.9	287.4	268.2	247.5	
Two years later	1,037.4	295.0	298.0	279.2	288.8	291.7	296.1	275.8	264.5		
Three years later	1,018.0	284.8	286.7	268.2	274.4	281.4	284.4	269.0			
Four years later	990.2	275.0	279.6	261.6	265.8	274.7	284.8				
Five years later	964.2	272.9	275.0	258.4	260.4	273.4					
Six years later	949.1	270.4	271.0	254.8	259.5						
Seven years later	936.4	269.0	267.5	252.8							
Eight years later	927.2	266.4	266.5								
Nine years later	917.8	264.0									
Ten years later	904.8										
Favourable development	12.5 %	25.3 %	23.8 %	24.9 %	22.6 %	18.0 %	16.2 %	15.4 %	8.1 %	14.0 %	

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

Brit

The following table shows for Brit the provision for losses and LAE as originally and as currently estimated for the years 2020 and 2021. The favourable development from prior years has been credited to each year's earnings.

Reconciliation of Provision for Losses and LAE - Brit

	2021	2020
Provision for losses and LAE at January 1	3,308.0	2,983.4
Losses on claims and LAE		
For current accident year's claims ⁽¹⁾	1,334.4	1,302.0
Decrease for prior accident years' claims	(100.1)	(62.8)
Foreign exchange effect on claims	(50.4)	20.9
Total losses on claims and LAE	1,183.9	1,260.1
Payments for losses on claims and LAE		
Payments on current accident year's claims	(130.2)	(212.4)
Payments on prior accident years' claims ⁽¹⁾	(1,106.4)	(723.1)
Total payments for losses on claims and LAE	(1,236.6)	(935.5)
Provision for losses and LAE at December 31	3,255.3	3,308.0

(1) Effective October 1, 2021 Brit completed a loss portfolio transfer with a third party, to reinsure net reserves for certain risks relating to prior accident years. This transaction resulted in Brit ceding \$379.1 of net insurance contract liabilities for consideration of \$344.1 which was recorded as a \$344.1 reduction in net premiums written and net premiums earned, and a \$379.1 reduction in losses on claims, including net favourable prior year reserve development of \$35.0. Refer to the Brit section of the MD&A in the company's Annual Report for the year ended December 31, 2021 for details related to this transaction. In the table above, losses on claims and LAE for the current accident year has been increased by \$352.8 to adjust for the ceding of claims which related to prior accident years and payments on prior accident years' claims have been increased by \$332.2 to reflect the ceding of losses which were included within the provision for losses and LAE at December 31, 2020 and is included within the cumulative payments as of one year later in the 2020 column in the table below.

The following table shows for Brit the original provision for losses and LAE at each calendar year-end commencing in 2015, the subsequent cumulative payments made on account of these years and the subsequent re-estimated amounts of these reserves.

Brit Calendar Year Claims Reserve Development

As at December 31	Calendar year						
	2015	2016	2017	2018	2019	2020	2021
Provision for claims including LAE	2,645.6	2,695.5	3,019.9	2,910.6	2,983.4	3,308.0	3,255.3
Cumulative payments as of:							
One year later	544.3	673.3	780.1	752.1	723.1	1,106.4	
Two years later	953.6	1,123.8	1,156.9	1,258.6	1,503.6		
Three years later	1,243.8	1,352.6	1,473.9	1,834.7			
Four years later	1,377.8	1,591.1	1,830.8				
Five years later	1,552.9	1,793.8					
Six years later	1,653.4						
Reserves re-estimated as of:							
One year later	2,520.1	2,802.1	2,721.0	2,874.0	2,963.3	3,236.8	
Two years later	2,575.1	2,529.9	2,676.7	2,940.0	2,946.2		
Three years later	2,296.6	2,469.6	2,657.7	2,934.3			
Four years later	2,229.4	2,463.2	2,615.1				
Five years later	2,217.8	2,420.3					
Six years later	2,163.2						
Favourable (adverse) development	482.4	275.2	404.8	(23.7)	37.2	71.2	

The net favourable prior year reserve development in 2021 of \$71.2 was comprised of \$100.1 of net favourable prior year reserve development, partially offset by \$28.9 of net unfavourable foreign currency movements related to the translation of non-U.S. dollar-denominated claims reserves. The net favourable prior year reserve development in 2021 of \$100.1 principally reflected net favourable emergence on non-catastrophe loss experience in the London Insurance segment (primarily property and specialty) and the London Reinsurance segment (primarily casualty and property treaty), and net favourable loss emergence on catastrophe claims reserves. The claims reserves of Brit (expressed in U.S. dollars) decreased by \$50.4 related to net favourable foreign currency movements, and was comprised of \$79.3 with respect to the current year's reserves (principally as a result of the movements in the euro relative to the U.S. dollar during 2021), partially offset by \$28.9 of net unfavourable foreign currency movements in respect of prior years' reserves.

Allied World

The following table shows for Allied World the provision for losses and LAE as originally and as currently estimated for the years 2020 and 2021. The favourable or adverse development from prior years has been credited or charged to each year's earnings.

Reconciliation of Provision for Losses and LAE - Allied World

	2021	2020
Provision for losses and LAE at January 1	<u>5,226.9</u>	<u>5,055.1</u>
Losses on claims and LAE		
For current accident year's claims	2,458.4	1,931.3
Increase (decrease) for prior accident years' claims	18.8	(5.1)
Foreign exchange effect on claims	<u>(22.5)</u>	<u>32.0</u>
Total losses on claims and LAE	<u>2,454.7</u>	<u>1,958.2</u>
Payments for losses on claims and LAE		
Payments on current accident year's claims	(308.0)	(373.1)
Payments on prior accident years' claims	<u>(1,346.5)</u>	<u>(1,413.3)</u>
Total payments for losses on claims and LAE	<u>(1,654.5)</u>	<u>(1,786.4)</u>
Divestitures during the year ⁽¹⁾	<u>(12.3)</u>	<u>—</u>
Provision for losses and LAE at December 31	<u>6,014.8</u>	<u>5,226.9</u>

(1) Sale of Vault Insurance on March 1, 2021.

Fairfax Asia

The following table shows for Fairfax Asia the provision for losses and LAE as originally and as currently estimated for the years 2020 and 2021. The favourable development from prior years has been credited to each year's earnings.

Reconciliation of Provision for Losses and LAE - Fairfax Asia

	2021	2020
Provision for losses and LAE at January 1	<u>200.3</u>	<u>182.4</u>
Losses on claims and LAE		
For current accident year's claims	147.0	148.3
Decrease for prior accident years' claims	(17.5)	(18.5)
Foreign exchange effect on claims	<u>(4.4)</u>	<u>1.3</u>
Total losses on claims and LAE	<u>125.1</u>	<u>131.1</u>
Payments for losses on claims and LAE		
Payments on current accident year's claims	(55.6)	(56.6)
Payments on prior accident years' claims	<u>(61.4)</u>	<u>(56.6)</u>
Total payments for losses on claims and LAE	<u>(117.0)</u>	<u>(113.2)</u>
Insurance subsidiaries acquired during the year ⁽¹⁾	139.7	—
Provision for losses and LAE at December 31	<u>348.1</u>	<u>200.3</u>

(1) During 2021 the company increased its ownership in Singapore Re to 100% and consolidated the assets, liabilities and results of operations upon obtaining control.

The following table shows for Fairfax Asia the original provision for losses and LAE at each calendar year-end commencing in 2011, the subsequent cumulative payments made on account of these years and the subsequent re-estimated amount of these reserves. The following Fairfax Asia subsidiaries' reserves are included from the respective years in which such subsidiaries were acquired or control was obtained:

	Year acquired or control obtained
Falcon Insurance	1998
Pacific Insurance (including MCIS effective 2015 and Prudential Assurance Malaysia effective 2017)	2011
AMAG Insurance (including Fairfax Indonesia effective 2014)	2016
Fairfirst Insurance (including Union Assurance effective 2015)	2016
Singapore Re	2021

Fairfax Asia Calendar Year Claims Reserve Development

As at December 31	Calendar year										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Provision for claims including LAE	266.0	318.8	360.0	372.6	396.3	395.0	175.8	169.6	182.4	200.3	348.1
Cumulative payments as of:											
One year later	82.1	88.3	110.3	96.1	107.9	103.6	52.6	51.0	56.6	61.4	
Two years later	120.0	135.3	157.7	132.0	141.4	122.8	75.4	77.4	87.5		
Three years later	142.9	164.7	178.6	147.6	149.5	134.3	86.1	87.3			
Four years later	160.7	176.8	184.3	151.8	155.1	138.1	92.9				
Five years later	166.4	176.7	186.3	153.9	155.4	141.9					
Six years later	162.8	177.2	187.6	153.1	157.0						
Seven years later	163.1	178.2	187.0	153.8							
Eight years later	163.2	177.3	186.8								
Nine years later	162.8	177.5									
Ten years later	162.9										
Reserves re-estimated as of:											
One year later	260.2	293.8	330.3	318.4	345.5	361.5	148.7	142.3	163.0	178.8	
Two years later	240.6	275.5	287.9	274.9	300.8	339.6	130.1	132.4	152.5		
Three years later	226.8	248.5	258.5	241.2	284.7	325.4	123.4	124.6			
Four years later	212.2	230.6	235.3	231.5	275.2	320.2	116.9				
Five years later	200.4	216.9	230.7	226.8	272.4	316.5					
Six years later	192.7	215.0	227.9	225.3	270.4						
Seven years later	192.2	214.2	227.4	224.8							
Eight years later	191.4	213.5	227.0								
Nine years later	191.2	213.1									
Ten years later	190.8										
Favourable development	75.2	105.7	133.0	147.8	125.9	78.5	58.9	45.0	29.9	21.5	

The net favourable prior year reserve development in 2021 of \$21.5 was comprised of \$17.5 of net favourable prior year reserve development and \$4.0 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 2021 of \$17.5 principally reflected net favourable loss emergence on automobile and property lines of business.

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 2020 and 2021. The favourable development from prior years has been credited to each year's earnings.

Reconciliation of Provision for Losses and LAE - Insurance and Reinsurance - Other

	2021	2020
Provision for losses and LAE at January 1	<u>983.3</u>	<u>905.9</u>
Losses on claims and LAE		
For current accident year's claims	808.8	687.9
Decrease for prior accident years' claims	(26.1)	(30.5)
Foreign exchange effect on claims	<u>(60.5)</u>	<u>(27.2)</u>
Total losses on claims and LAE	<u>722.2</u>	<u>630.2</u>
Payments for losses on claims and LAE		
Payments on current accident year's claims	(345.6)	(309.4)
Payments on prior accident years' claims	<u>(252.0)</u>	<u>(215.6)</u>
Total payments for losses on claims and LAE	<u>(597.6)</u>	<u>(525.0)</u>
Insurance subsidiaries acquired during the year ⁽¹⁾	70.3	—
Divestitures during the year ⁽²⁾	<u>—</u>	<u>(27.8)</u>
Provision for losses and LAE at December 31 excluding CTR Life	<u>1,178.2</u>	<u>983.3</u>
CTR Life	<u>4.4</u>	<u>5.5</u>
Provision for losses and LAE at December 31	<u>1,182.6</u>	<u>988.8</u>

(1) *Eurolife General in 2021.*

(2) *Discontinuation of Fairfax Brasil's participation in a Motor pool in 2020.*

The following table shows for the Insurance and Reinsurance - Other reporting segment the original provision for losses and LAE at each calendar year-end commencing in 2011, 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

As at December 31	Calendar Year										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Provisions for claims including LAE	995.5	1,046.5	966.6	877.1	796.9	828.4	1,060.8	1,032.2	905.9	983.3	1,178.2
Cumulative payments as of:											
One year later	261.7	262.3	204.5	174.8	187.7	230.6	314.9	211.1	215.6	252.0	
Two years later	437.9	403.6	322.6	274.5	293.8	383.9	412.2	293.6	309.8		
Three years later	535.8	481.3	388.4	344.6	394.5	437.6	452.5	346.3			
Four years later	595.0	529.5	444.2	412.3	432.6	459.0	483.5				
Five years later	630.7	572.5	495.5	438.8	448.1	476.0					
Six years later	665.1	616.2	518.1	451.0	462.3						
Seven years later	691.2	635.5	528.5	463.9							
Eight years later	707.8	644.9	539.9								
Nine years later	716.0	655.3									
Ten years later	725.0										
Reserves re-estimated as of:											
One year later	1,016.9	996.6	866.8	745.8	737.7	828.5	934.3	956.5	836.0	917.8	
Two years later	986.9	915.5	772.8	701.2	734.0	781.3	896.2	920.8	775.1		
Three years later	941.9	848.4	736.9	706.2	718.4	770.1	885.7	892.2			
Four years later	886.0	820.5	748.9	686.4	712.0	766.6	868.4				
Five years later	860.4	837.1	727.3	684.4	710.8	757.2					
Six years later	873.4	817.6	730.3	683.2	706.5						
Seven years later	848.7	820.7	731.4	679.8							
Eight years later	852.1	824.3	728.5								
Nine years later	857.1	821.3									
Ten years later	854.5										
Favourable development	141.0	225.2	238.1	197.3	90.4	71.2	192.4	140.0	130.8	65.5	

The net favourable prior year reserve development in 2021 of \$65.5 was comprised of net favourable prior year reserve development of \$26.1 and net favourable foreign currency movements of \$39.4 related to the translation of non-U.S. dollar-denominated claims reserves (principally the translation of the Argentine peso-denominated and Colombian peso-denominated claims reserves at Fairfax Latam and Polish zloty-denominated claims reserves at Polish Re). The net favourable prior year reserve development in 2021 of \$26.1 reflects favourable loss emergence across most segments, primarily at Group Re and Fairfax Latin America (primarily across each Fairfax Latam operating company). The claims reserves of Insurance and Reinsurance - Other (expressed in U.S. dollars) decreased by \$60.5 related to net favourable foreign currency movements, and was comprised of \$39.4 in respect of prior years' reserves (principally as a result of the strengthening of the U.S. dollar relative to the Polish zloty, Colombian peso, Argentine peso and euro) and \$21.1 in respect of the current year's reserves (principally as a result of the strengthening of the U.S. dollar relative to the South African rand, Colombian peso, Polish zloty and euro).

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 2020 and 2021. The adverse development from prior years has been charged to each year's earnings.

Reconciliation of Provision for Losses and LAE - Run-off

	2021	2020
Provision for losses and LAE at January 1	<u>1,620.1</u>	<u>1,771.4</u>
Losses on claims and LAE		
For current accident year's claims	352.2	(2.3)
Increase for prior accident years' claims	224.6	132.6
Foreign exchange effect on claims	0.2	0.4
Total losses on claims and LAE	<u>577.0</u>	<u>130.7</u>
Payments for losses on claims and LAE		
Payments on current accident year's claims	5.9	2.2
Payments on prior accident years' claims	<u>(274.2)</u>	<u>(284.2)</u>
Total payments for losses on claims and LAE	<u>(268.3)</u>	<u>(282.0)</u>
Provision for losses and LAE at December 31	<u>1,928.8</u>	<u>1,620.1</u>

Run-off experienced net adverse prior year reserve development in 2021 of \$224.6, principally reflecting net adverse loss emergence on asbestos, pollution and other hazards exposures of \$212.0.