

FAIRFAX *News Release*

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FAIRFAX ANNOUNCES U.K. COURT VICTORY

In February 2000, Sphere Drake Insurance (part of Fairfax Financial Holdings Limited's European runoff group) commenced legal proceedings in the Commercial Court in London, England against underwriting agents who, it alleged, fraudulently obtained a binding authority in conspiracy with brokers, who were also defendants, in order to write reinsurance contracts which exposed Sphere Drake to grossly under-priced U.S. workers' compensation carve out business.

Fairfax is pleased to announce that the Commercial Court has today released a judgment finding in Sphere Drake's favour. The judgment upheld Sphere Drake's allegation that in accepting business, the underwriting agents acted in dishonest breach of fiduciary duties owed to Sphere Drake, that the brokers dishonestly assisted in committing those breaches, and that the underwriting agents and the brokers were both dishonest and collusive.

The judge has therefore found for Sphere Drake on all material grounds on which Sphere Drake contends that it is entitled to avoid paying losses under the inward reinsurance contracts purportedly placed on its behalf under the binding authority.

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

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