FAIRFAX FINANCIAL HOLDINGS LTD/ CAN
Form F-10/A
March 29, 2004

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As filed with the Securities and Exchange Commission on March 29, 2004.

Registration No. 333-113832

US SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 1 TO FORM F-10 REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

FAIRFAX FINANCIAL HOLDINGS LIMITED
(Exact name of Registrant as specified in its charter)

Canada	**6331**	**Not Applicable**
(Province or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

95 Wellington Street West, Suite 800, Toronto, Ontario, Canada M5J 2N7 (416) 367-4941
(Address and telephone number of Registrant s principal executive offices)

CT CORPORATION SYSTEM
111 Eighth Avenue, 13th Floor, New York, NY 10011
(212) 894-8700
(Name, address and telephone number of agent for service in the United States)

Copies to:

Eric P. Salsberg Vice President, Corporate Affairs Fairfax Financial Holdings Limited 95 Wellington Street West, Suite 800 Toronto, Ontario, Canada M5J 2N7 Telephone (416) 367-4941	Brice T. Voran Shearman & Sterling LLP Commerce Court West 199 Bay Street, Suite 4405 Toronto, Ontario, Canada M5L 1E8 Telephone (416) 360-8484	David A. Chaikof Torys LLP 70 Wellington Street West, Suite 3000 Box 270, TD Centre Toronto, Ontario, Canada M5K 1N2 Telephone (416) 865-0040

Approximate date of commencement of proposed sale of the securities to the public:
As soon as practicable after this Registration Statement becomes effective.

Province of Ontario, Canada
(Principal jurisdiction regulating this offering)

It is proposed that this filing shall become effective (check appropriate box):

A. o Upon filing with the Commission, pursuant to Rule 467(a) (if in connection with an offering being made contemporaneously in the United States and Canada).

B. x At some future date (check the appropriate box below):

1. o pursuant to Rule 467(b) on ( ) at ( ) (designate a time not sooner than 7 calendar days after filing).
2. o pursuant to Rule 467(b) on ( ) at ( ) (designate a time 7 calendar days or sooner after filing) because the securities regulatory authority in the review jurisdiction has issued a receipt or notification of clearance on ( ).
3. x pursuant to Rule 467(b) as soon as practicable after notification of the Commission by the Registrant or the Canadian securities regulatory authority of the review jurisdiction that a receipt or notification of clearance has been issued with respect hereto.
4. o after the filing of the next amendment to this Form (if preliminary material is being filed).

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to the home jurisdiction s shelf prospectus offering procedures, check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount to be Registered(1)**	**Proposed Maximum Offering Price per Unit**	**Proposed Maximum Aggregate Offering Price(1)**	**Amount of Registration Fee(2)**
7 3/4% senior notes due 2012	**$368,534,250**	**100%**	**$ 368,534,250**	**$43,940.73(3)**

(1) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o).
(2) Calculated pursuant to General Instruction II.H. of Form F-10.
(3) $29,517.93 of this registration fee was paid concurrently with the filing of the Registration Statement on March 23, 2004. The remaining $14,422.80 is being paid concurrently with the filing of this Amendment No. 1 to the Registration Statement.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registration statement shall become effective as provided in Rule 467 under the Securities Act of 1933, as amended or on such date as the Commission, acting pursuant to Section 8(a) of the Securities Act of 1933, as amended, may determine.

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PART I

INFORMATION REQUIRED TO BE DELIVERED TO OFFEREES OR PURCHASERS

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Prospectus

Fairfax Financial Holdings Limited

Offer to Exchange up to $275,000,000 of 7 3/8% Notes Due 2006

and $170,000,000 of 6 7/8% Notes Due 2008
for Cash and New 7 3/4% Senior Notes Due 2012

The Exchange Offer

In the exchange offer, we are offering to exchange, as set out in the table below, a combination of:

a specified amount of cash, including a purchase payment and, in the case of tenders prior to the early participation date (as defined below), an early participation payment, which we refer to together as the total cash amount, plus

a specified amount of our new 7 3/4% senior notes due 2012 (the new notes),

for each $1,000 principal amount of our outstanding 7 3/8% Notes Due 2006 (the 2006 Notes) or 6 7/8% Notes Due 2008 (the 2008 Notes and, together with the 2006 Notes, the old notes). You will also be paid accrued and unpaid interest in cash on old notes that we acquire in the exchange to but not including the settlement date (as defined below), which we currently expect to be April 29, 2004.

The early participation payment component of the total cash amount will only be paid to you if you validly tender your old notes at or prior to 5:00 p.m., New York City Time, on April 8, 2004, which date we refer to as the early participation date.

The exchange offer will expire at 5:00 p.m., New York City Time, on April 26, 2004, unless we extend the offer.

The cash and principal amount of new notes that you will receive for each $1,000 principal amount of each series of old notes is as follows:

			Cash				
CUSIP Number	**Principal Amount Outstanding**	**Old Notes to be Exchanged**	**Purchase Payment**	**Early Participation Payment**	**Total Cash Amount**	**New Note Principal Amount**	**Total Cash and New Notes**
303901AJ1	$275,000,000	7 3/8% Notes due 2006	$303.33	$30.00	$333.33	$746.67	$1,080.00
303901AF9	$170,000,000	6 7/8% Notes due 2008	$ 70.00	$30.00	$100.00	$960.00	$1,060.00

You should consider the risk factors beginning on page 11 of this prospectus before participating in the exchange offer.

Dealer Managers

Banc of America Securities LLC **Citigroup** **RBC Capital Markets**

March 29, 2004

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(cover page continued)

As described more fully in this prospectus, the exchange offer is subject to certain conditions. The exchange offer is not subject to any condition as to a minimum or maximum principal amount of old notes that we will accept for tender.

You may withdraw tenders of old notes of either series at any time prior to 5:00 p.m., New York City Time, on April 8, 2004.

The exchange of the old notes for cash and new notes in the exchange offer will be a taxable event for U.S. federal income tax purposes. See Certain Income Tax Considerations.

The New Notes

The new notes will mature on April 26, 2012 and will bear interest from the settlement date at an annual rate of 7 3/4%. Interest will be payable semi-annually on each April 30 and October 31, commencing on November 1, 2004, being the first business day following October 31, 2004.

The new notes will be our direct, unsecured obligations and will rank equally and ratably with all of our other unsecured and unsubordinated indebtedness.

All other terms of the new notes will be substantially identical to those of the old notes. The new notes will be issued under the same indenture and have the same covenants as the old notes. For a description of the terms of the new notes and the indenture pursuant to which the new notes will be issued, see Description of the New Notes.

We are permitted to prepare this prospectus in accordance with Canadian disclosure requirements, which are different from those of the United States. We prepare our financial statements in accordance with Canadian generally accepted accounting principles, and are subject to Canadian auditing and auditor independence standards. Our financial statements may not be comparable to financial statements of U.S. companies.

Owning the securities may subject you to tax consequences both in the United States and Canada. This prospectus may not describe these tax consequences fully. You should consult your own counsel, accountant or other advisors for legal, tax, business, financial and related advice regarding the exchange offer.

Prospective investors should be aware that, during the period of the exchange offer, we or our affiliates, directly or indirectly, may bid for or make purchases of the securities to be distributed or to be exchanged, or certain related securities, as permitted by applicable laws or regulations of Canada, or its provinces or territories.

Your ability to enforce civil liabilities under the U.S. federal securities laws may be affected adversely because we are incorporated in Canada, most of our officers and directors and certain of the experts named in this prospectus are Canadian residents, and many of our assets are located in Canada.

Neither the U.S. Securities and Exchange Commission nor any state or provincial securities regulator has approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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You should rely only on the information contained in or incorporated by reference into this prospectus. References to this prospectus include documents incorporated by reference therein. See Documents Incorporated by Reference. The information in or incorporated by reference into this prospectus is current only as of its date. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to offer these securities.

ENFORCEABILITY OF CERTAIN CIVIL LIABILITIES

We are a corporation organized under the laws of Canada and some of our assets are located in, and most of our directors and most of our officers are residents of, Canada. As a result, it may be difficult for U.S. investors to effect service of process within the United States upon our directors or officers, or to realize in the United States upon judgments of courts of the United States predicated upon civil liability of such directors or officers under U.S. federal securities laws. We have been advised by Torys LLP, our Canadian counsel, that a judgment of a U.S. court predicated solely upon civil liability under such laws would probably be enforceable in Canada if the U.S. court in which the judgment was obtained had a basis for jurisdiction in the matter that was recognized by a Canadian court for such purposes. We have also been advised by such counsel, however, that there is substantial doubt whether an action could be brought in Canada in the first instance on the basis of liability predicated solely upon such laws.

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PRESENTATION OF OUR FINANCIAL INFORMATION

As the majority of our operations are in the United States or conducted in U.S. dollars, effective December 31, 2003, we report our consolidated financial statements in U.S. dollars in order to provide more meaningful information to users of our financial statements. Unless otherwise indicated, historical financial information contained in this prospectus and in our audited consolidated financial statements for the year ended December 31, 2003 and our management s discussion and analysis for such financial statements, each incorporated by reference herein, has been restated in U.S. dollars based on currency exchange rates in effect during the period being restated. All other financial information incorporated by reference in this prospectus has been presented in Canadian dollars. In this prospectus, except where otherwise indicated, all dollar amounts are expressed in U.S. dollars, references to $ and dollars are to U.S. dollars, and references to Cdn$ are to Canadian dollars.

Our consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada, or Canadian GAAP, which differ from generally accepted accounting principles in the United States, or U.S. GAAP. For a discussion of the material differences between Canadian GAAP and U.S. GAAP as they relate to our financial statements, see note 19 to our audited consolidated financial statements for the year ended December 31, 2003 incorporated by reference into this prospectus.

EXCHANGE RATE DATA

The following table sets forth, for each period indicated, the low and high exchange rates for Canadian dollars expressed in U.S. dollars, the exchange rate at the end of such period and the average of such exchange rates for each day during such period, based on the inverse of the noon buying rate in The City of New York for cable transfers in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York:

	Year Ended December 31,				
	1999	2000	2001	2002	2003
Low	0.6535	0.6410	0.6241	0.6200	0.6349
High	0.6925	0.6969	0.6697	0.6619	0.7738
Period End	0.6925	0.6669	0.6279	0.6329	0.7738
Average	0.6730	0.6732	0.6457	0.6368	0.7136

On March 26, 2004, the inverse of the noon buying rate was $0.7579 = Cdn$1.00.

FORWARD-LOOKING STATEMENTS

Any statements made by us or on our behalf may include forward-looking statements that reflect our current views with respect to future events and financial performance. The words believe, anticipate, project, expect, plan, intend, predict, estimate, will likely result, will continue and similar expressions identify forward-looking statements. These forward-looking statements relate to, among other things, our plans and objectives for future operations and underwriting profits. We caution readers not to place undue reliance on these forward-looking statements, which speak only as of their dates. We are under no obligation to update or alter such forward-looking statements as a result of new information, future events or otherwise. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These uncertainties and other factors, which we describe in more detail elsewhere in this prospectus, or in documents incorporated by reference herein, include, but are not limited to:

a reduction in net income if our loss reserves are insufficient;

underwriting losses on the risks we insure that are higher or lower than expected;

insufficient reserves for asbestos, environmental and other latent claims;

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the lowering or loss of one of our subsidiaries   financial or claims-paying ability ratings;

an inability to realize our investment objectives;

changes in economic conditions, including interest rates and the securities markets, which could affect our investment portfolio;

exposure to credit risk in the event our reinsurers fail to make payments to us under our reinsurance arrangements;

exposure to credit risk in the event our insureds fail to pay premiums that are owed to us or fail to reimburse us for deductibles that are paid by us on their behalf;

the occurrence of catastrophic events with a frequency or severity exceeding our estimates;

a decrease in the level of demand for our subsidiaries   reinsurance or insurance products, or increased competition in the insurance industry;

the cycle of the insurance market, which can determine our and our competitors   premium rates and capacity to write new business;

our inability to obtain reinsurance coverage at reasonable prices or on terms that adequately protect us;

the timing of loss payments being faster or the receipt of reinsurance recoverables being slower than anticipated by us;

our dependence on independent brokers over whom we exercise little control;

adverse fluctuations in foreign currency exchange rates;

assessments and shared market mechanisms which can adversely affect our U.S. insurance subsidiaries;

our failure to realize future income tax assets;

loss of key employees;

the influence exercisable by our controlling shareholder;

the passage of legislation subjecting our businesses to additional supervision or regulation, including additional tax regulation, in the United States, Canada or other jurisdictions in which we operate;

our inability to obtain required levels of capital on favorable terms, if at all;

our inability to access our subsidiaries   cash;

the failure of any of the loss limitation methods we employ;

an impairment in the value of our goodwill; and

risks associated with implementing our business strategies.

See   Risk Factors   for a further discussion of these risks and uncertainties.

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SUMMARY

This brief summary highlights selected information from this prospectus. It may not contain all of the information that is important to you. We urge you to carefully read and review the entire prospectus and the documents incorporated by reference herein, including our historical financial statements for the year ended December 31, 2003 and the notes to those financial statements. You should read Risk Factors beginning on page 11 for more information about important factors that you should consider before making a decision to participate in the exchange offer.

Unless the context otherwise requires, the terms Fairfax, Company, we, us and our refer to Fairfax Financial Holdings Limited and its subsidiaries; the term TIG refers to TIG Holdings, Inc., our wholly-owned subsidiary; the term OdysseyRe refers to our public reinsurance business, Odyssey Re Holdings Corp. and its subsidiaries; the term Crum & Forster refers to our wholly-owned U.S. property and casualty insurance business, Crum & Forster Holdings Corp. and its subsidiaries; the term Northbridge refers to our public Canadian property and casualty insurance business, Northbridge Financial Corporation and its subsidiaries; the term Hamblin Watsa refers to our wholly-owned investment management subsidiary, Hamblin Watsa Investment Counsel Ltd; and the term Lindsey Morden refers to our claims adjusting subsidiary, Lindsey Morden Group Inc. and its subsidiaries. All references in this prospectus to $ or dollars refer to U.S. dollars and all references to Cdn$ refer to Canadian dollars, unless otherwise indicated.

FAIRFAX FINANCIAL HOLDINGS LIMITED

Our Company

We are a financial services holding company primarily engaged in property and casualty insurance and reinsurance. We operate through a decentralized operating structure, with autonomous management teams applying a focused underwriting strategy to our markets. We seek to differentiate ourselves by combining disciplined underwriting with the investment of our assets on a total return basis, which we believe provides above-average returns over the long-term. We provide a full range of property and casualty products, maintaining a diversified portfolio of risks across classes of business, geographic regions, and types of insureds. The United States is our largest market, accounting for 56.0% of net premiums earned for the year ended December 31, 2003, while Canadian and international markets accounted for 19.9% and 24.1% of net premiums earned, respectively.

For the year ended December 31, 2003, we had total revenue of $5.7 billion and net income of $271.1 million. At December 31, 2003, we had cash and invested assets of $12.6 billion, total assets of $25.0 billion and shareholders equity of $2.9 billion. For the year ended December 31, 2003, we generated gross premiums written and net premiums written of $5.5 billion and $4.4 billion, respectively. The following table sets forth net premiums written by each segment for the year ended December 31, 2003:

	$	%
	(dollars in millions)	
Reinsurance (OdysseyRe)	$2,153.6	48.5%
U.S. insurance	1,153.7	25.9
Canadian insurance (Northbridge)	802.3	18.0
Runoff and other	338.5	7.6
Net Premiums Written	$4,448.1	100.0%

Our senior management team is led by Mr. Prem Watsa, who has been our Chairman and Chief Executive Officer since September 1985. Mr. Watsa holds 12.7% of all classes of our outstanding shares while controlling 55.3% of the votes associated with our outstanding shares. In total, our officers and directors hold 15.5% of all classes of our outstanding shares.

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Deleveraging Plan

We have established a deleveraging plan which is intended to strengthen our debt ratings to investment grade. As part of this plan, we intend to reduce our financial leverage through the reduction of our holding company debt and growth in shareholders equity. During the three months ending December 31, 2003, we reduced our holding company debt by $73.6 million. Reduction of our holding company debt may be achieved through the redeployment of excess capital generated by our operating subsidiaries and cash generated by a range of financing activities which may be completed from time to time. While we can not be assured that we will achieve an upgrade of our debt ratings, we believe our deleveraging plan will increase our financial strength and enhance the financial strength ratings of our insurance companies.

As part of our ongoing commitment to maintain financial flexibility, we will continue to maintain amounts of holding company cash and marketable securities which we consider appropriate. As of December 31, 2003, we maintained holding company cash and marketable securities of $410.2 million, a portion of which will be used as part of the exchange offer. In addition to this amount and our other assets, our holding company liquidity is further strengthened by interests in two public company subsidiaries. We currently hold 28.36 million common shares of Northbridge at the holding company, which have a market value of $542.1 million based on the closing price of Northbridge on the Toronto Stock Exchange on March 26, 2004. In addition, there are 28.37 million shares of OdysseyRe with a market value of $752.2 million, based on the closing price of OdysseyRe on the New York Stock Exchange on March 26, 2004, which will be released to the holding company during 2004 from a trust being held for the benefit of TIG Insurance Company, subject to regulatory approval. We also hold interests in Northbridge and OdysseyRe through our insurance subsidiaries.

SUMMARY OF THE EXCHANGE OFFER

Purpose of the Exchange Offer	To reduce and refinance a portion of our outstanding debt and diversify our debt maturity profile consistent with our deleveraging plan.
Terms of the Exchange Offer	We are offering to exchange, as set out in the table below, a combination of: a specified amount of cash, which we refer to as the total cash amount, including a purchase payment and an early participation payment, *plus* a specified amount of our new 7 3/4% senior notes due 2012 (the new notes), for each $1,000 principal amount of our 7 3/8% notes due March 15, 2006 (the 2006 Notes); or each $1,000 principal amount of our 6 7/8% notes due April 15, 2008 (the 2008 Notes and, together with the 2006 Notes, the old notes).

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The cash and principal amount of new notes that you will receive for each $1,000 principal amount of each series of old notes is as follows:

CUSIP Number	Old Notes to be Exchanged	Principal Amount Outstanding	Cash: Purchase Payment	Cash: Early Participation Payment	Cash: Total Cash Amount	New Note Principal Amount	Total Cash and New Notes
303901AJ1	2006 Notes	$275,000,000	$303.33	$30.00	$333.33	$746.67	$1,080.00
303901AF9	2008 Notes	$170,000,000	$ 70.00	$30.00	$100.00	$960.00	$1,060.00

You will also be paid accrued and unpaid interest in cash to but not including the settlement date on old notes that we acquire in the exchange.

The new notes will accrue interest from the settlement date at a rate of 7 3/4% per annum on the principal amount. Interest will be payable semi-annually on each April 30 and October 31, commencing on November 1, 2004, being the first business day following October 31, 2004. The new notes will mature on April 26, 2012.

All other terms of the new notes will be substantially identical to those of the old notes. The new notes will be issued under the same indenture, and will have the same covenants, as the old notes. For a description of the terms of the new notes and the indenture pursuant to which the new notes will be issued, see Description of the New Notes.

Outstanding old notes may be exchanged only in minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof. New notes will be issued only in minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof. If under the terms of the exchange offer any tendering holder is entitled to receive new notes in a principal amount that is not an integral multiple of $1,000, we will reduce the principal amount of that holder s new notes to the nearest $1,000 and substitute a cash payment equal to the principal amount by which that holder s new notes are reduced.

Subject to the satisfaction or waiver of specified conditions, we will exchange the cash and new notes for all of the old notes that are validly tendered and not withdrawn prior to the expiration of the exchange offer.

Early Participation Date — Old notes must be tendered at or prior to 5:00 p.m., New York City time, on April 8, 2004 to receive the early participation payment.

Expiration Date — The exchange offer will expire at 5:00 p.m., New York City time, on April 26, 2004, unless we extend the offer.

Settlement Date — The cash will be paid and the new notes will be issued in exchange for the old notes in the exchange offer, if consummated, on the third business day following the expiration date of the exchange offer or as soon as practicable thereafter, which date we refer to as the settlement date. We currently expect the settlement date to be April 29, 2004.

Withdrawal of Tenders — Tenders of old notes of either series may be withdrawn at any time prior to 5:00 p.m., New York City time, on April 8, 2004, which date we refer to as the withdrawal deadline. Tenders of old notes may not be withdrawn after the withdrawal deadline

	unless we are required by law to permit withdrawal. See The Exchange Offer Withdrawal of Tenders.
Taxation	The exchange of old notes for new notes in the exchange offer will be a taxable event for U.S. federal income tax purposes. See Certain Income Tax Considerations Certain United States Federal Income Tax Considerations.
Conditions to the Exchange Offer	The exchange offer is subject to customary conditions, which we may assert or waive in our absolute discretion. The exchange offer is not subject to any condition as to a minimum or maximum principal amount of old notes that we will accept for tender. See The Exchange Offer Conditions to the Exchange Offer.
Procedures for Tendering	If you wish to accept the exchange offer and your old notes are held by a custodial entity such as a bank, broker, dealer, trust company or other nominee, you must instruct this custodial entity to tender your old notes on your behalf pursuant to the procedures of the custodial entity. If your old notes are registered in your name, you must complete, sign and date the accompanying letter of transmittal, or a facsimile of the letter of transmittal, according to the instructions contained in this prospectus and the letter of transmittal. You must also mail or otherwise deliver the letter of transmittal, or a facsimile of the letter of transmittal, together with the old notes and any other required documents, to the exchange agent at the address set forth on the cover page of the letter of transmittal.
	Custodial entities that are participants in The Depository Trust Company, referred to as DTC , must tender old notes through the Automated Tender Offer Program, known as ATOP, maintained by DTC, by which such custodial entity and the beneficial owner on whose behalf the custodial entity is acting agree to be bound by the letter of transmittal. *A letter of transmittal need not accompany tenders effected through ATOP.*
Consequences of Failure to Exchange	For a description of the consequences of a failure to exchange the old notes, see Risk Factors Risks Relating to Tendering Old Notes for New Notes.
Exchange Agent	D.F. King & Co., Inc. is the exchange agent for the exchange offer. The address and telephone number of the exchange agent are on the back cover page of this prospectus.
Information Agent	D.F. King & Co., Inc. is the information agent for the exchange offer. The address and telephone number of the information agent are on the back cover page of this prospectus.
Dealer Managers	Banc of America Securities LLC, Citigroup Global Markets Inc. and RBC Capital Markets Corporation are the dealer managers for the exchange offer. The addresses and telephone numbers of the dealer managers are on the back cover page of this prospectus.

SUMMARY OF THE NEW NOTES

Issuer	Fairfax Financial Holdings Limited
Maturity Date	April 26, 2012
Interest	7 3/4%
	Interest will be payable semi-annually on each April 30 and October 31, commencing November 1, 2004, being the first business day following October 31, 2004. Interest will accrue from the settlement date of the exchange offer. You will be paid accrued and unpaid interest to but not including the settlement date on old notes that we acquire in the exchange.
Ranking	The new notes will be direct, unsecured obligations of Fairfax Financial Holdings Limited. The new notes will rank equally and ratably with all of Fairfax Financial Holdings Limited s existing unsecured and unsubordinated indebtedness. The new notes will also be effectively subordinated to all obligations of Fairfax Financial Holdings Limited s subsidiaries. At December 31, 2003, the aggregate indebtedness of our subsidiaries was $1.2 billion. See Risk Factors Risks Related to the New Notes.
Concurrent Private Placement of New Notes	Concurrently with this offering, we are making an offer to certain holders of TIG s 8 1/8% notes due April 15, 2005 to exchange those notes for cash and notes with the same terms as the new notes offered hereby, except for certain transfer restrictions and related provisions. We will subsequently exchange such notes for new notes without transfer restrictions. These new notes will be consolidated and form a single series with the new notes offered hereby. See Capitalization.
Restrictive Covenants	The indenture governing the new notes is the indenture governing the old notes and contains covenants that, among other things, limit our ability to: create liens on the capital stock of certain of our subsidiaries; and enter into specific mergers or consolidations or convey, transfer or lease our properties and assets substantially as an entirety.
Events of Default	For a discussion of events that will permit acceleration of the payment of the principal of, and accrued interest on, the new notes, see Description of the New Notes Events of Default.
Form and Denomination	The new notes will be issued only in the form of one or more global notes. See Description of the New Notes Book-Entry; Delivery and Form. Each global note will be deposited with DTC, in each case for credit to the account of a direct or indirect participant of DTC. Investors in the global notes who are participants in DTC may hold their interests in the global notes directly through DTC. Investors in the global notes who are not participants in DTC may hold their interests indirectly through organizations that are participants in DTC. Interests in

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	the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants, including Euroclear and Clearstream.
	Except as set forth under Description of the New Notes Certificated Securities, participants and indirect participants will not be entitled to receive physical delivery of definitive new notes or to have new notes issued and registered in their names and will not be considered the owners or holders of the new notes under the indenture.
	Interests in the global notes and the definitive new notes, if any, will be issued in minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof.
PORTAL	The new notes will be designated eligible for trading in the Private Offerings, Resale and Trading through Automated Linkage market, known as PORTAL.
Governing Law	The new notes and their governing indenture will be governed by, and construed in accordance with, the laws of the State of New York.
Trustees	The Bank of New York, as the successor U.S. trustee, and CIBC Mellon Trust Company, as the successor Canadian trustee.
Paying Agent	The Bank of New York.

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THE COMPANY

We are a financial services holding company primarily engaged in property and casualty insurance and reinsurance. We operate through a decentralized operating structure, with autonomous management teams applying a focused underwriting strategy to our markets. We seek to differentiate ourselves by combining disciplined underwriting with the investment of our assets on a total return basis, which we believe provides above-average returns over the long-term. We provide a full range of property and casualty products, maintaining a diversified portfolio of risks across classes of business, geographic regions, and types of insureds. The United States is our largest market, accounting for 56.0% of net premiums earned for the year ended December 31, 2003, while Canadian and international markets accounted for 19.9% and 24.1% of net premiums earned, respectively. We have been under current management since September 1985. Our principal executive offices are located at 95 Wellington Street West, Suite 800, Toronto, Ontario, M5J 2N7, Canada. Our telephone number is (416) 367-4941.

We conduct our business through the following segments, with each of our continuing operations maintaining a strong position in its respective markets.

Our reinsurance business is conducted through OdysseyRe, a U.S.-based underwriter of a full range of property and casualty reinsurance on a worldwide basis. We have an 80.6% interest in OdysseyRe, whose common stock is traded on the New York Stock Exchange under the symbol ORH.

Our U.S. insurance business provides a full range of commercial property and casualty insurance, principally through Crum & Forster, a national carrier which targets specialty classes of business that emphasize strong technical underwriting expertise. We own all of the equity of Crum & Forster.

Our Canadian insurance business is conducted principally through Northbridge, which provides commercial and personal lines property and casualty insurance in Canada through a wide range of distribution channels. We have a 71.0% interest in Northbridge, whose common shares are traded on the Toronto Stock Exchange under the symbol NB.

Our runoff business primarily includes our discontinued business that did not meet our underwriting criteria or strategic objectives and selected business previously written by our other subsidiaries that was put under dedicated runoff management. In addition, our runoff segment also includes third-party runoff operations that we have acquired, which we believe will provide us with the opportunity to earn attractive returns on our invested capital.

Our invested assets are managed by our wholly-owned investment management subsidiary, Hamblin Watsa. Hamblin Watsa has managed our invested assets since September 1985 and emphasizes a conservative investment philosophy, seeking to invest our assets on a total return basis, which includes realized and unrealized gains over the long-term, using a value-oriented approach.

For the year ended December 31, 2003, we had total revenue of $5.7 billion and net income of $271.1 million. At December 31, 2003, we had cash and invested assets of $12.6 billion, total assets of $25.0 billion and shareholders equity of $2.9 billion. For the year ended December 31, 2003, we generated gross premiums written and net premiums written of $5.5 billion and $4.4 billion, respectively. The following table sets forth net premiums written by each segment for the year ended December 31, 2003:

	$	%
	(dollars in millions)	
Reinsurance (OdysseyRe)	$2,153.6	48.5%
U.S. insurance	1,153.7	25.9
Canadian insurance (Northbridge)	802.3	18.0
Runoff and other	338.5	7.6
Net Premiums Written	$4,448.1	100.0%

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Our combined ratio for our ongoing business was 97.6% for the year ended December 31, 2003. The following table sets forth our combined ratio by segment for our operations, excluding runoff, for the year ended December 31, 2003:

Reinsurance (OdysseyRe)	96.9%
U.S. insurance	102.5
Canadian insurance (Northbridge)	92.6
Total	97.6%

Our senior management team is led by Mr. Prem Watsa, who has been our Chairman and Chief Executive Officer since September 1985. Mr. Watsa holds 12.7% of all classes of our outstanding shares while controlling 55.3% of the votes associated with our outstanding shares. In total, our officers and directors hold 15.5% of all classes of our outstanding shares.

Deleveraging Plan

We have established a deleveraging plan which is intended to strengthen our debt ratings to investment grade. As part of this plan, we intend to reduce our financial leverage through the reduction of our holding company debt and growth in shareholders equity. During the three months ending December 31, 2003, we reduced our holding company debt by $73.6 million. Reduction of our holding company debt may be achieved through the redeployment of excess capital generated by our operating subsidiaries and cash generated by a range of financing activities which may be completed from time to time. While we can not be assured that we will achieve an upgrade of our debt ratings, we believe our deleveraging plan will increase our financial strength and enhance the financial strength ratings of our insurance companies.

As part of our ongoing commitment to maintain financial flexibility, we will continue to maintain amounts of holding company cash and marketable securities which we consider appropriate. As of December 31, 2003, we maintained holding company cash and marketable securities of $410.2 million, a portion of which will be used as part of the exchange offer. In addition to this amount and our other assets, our holding company liquidity is further strengthened by interests in two public company subsidiaries. We currently hold 28.36 million common shares of Northbridge at the holding company, which have a market value of $542.1 million based on the closing price of Northbridge on the Toronto Stock Exchange on March 26, 2004. In addition, there are 28.37 million shares of OdysseyRe with a market value of $752.2 million, based on the closing price of OdysseyRe on the New York Stock Exchange on March 26, 2004, which will be released to the holding company during 2004 from a trust being held for the benefit of TIG Insurance Company, subject to regulatory approval. We also hold interests in Northbridge and OdysseyRe through our insurance subsidiaries.

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SELECTED HISTORICAL FINANCIAL DATA

The following selected historical financial data should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2003 and the related management s discussion and analysis thereon that are incorporated by reference in this prospectus.

The selected historical consolidated financial data for the years ended and as at December 31, 2001, 2002 and 2003 are derived from our audited consolidated financial statements. We prepare our annual consolidated financial statements in accordance with Canadian GAAP, which differs in certain respects from U.S. GAAP. For a discussion of the principal differences between Canadian GAAP and U.S. GAAP as they pertain to us, see note 19 to our audited consolidated financial statements for the year ended December 31, 2003.

We encourage you to read the consolidated financial statements incorporated by reference in this prospectus because they contain our complete financial statements for the periods presented. Our historical results of operations are not necessarily indicative of future results.

	Years Ended December 31,		
	2003	2002	2001
	(dollars in millions, except per share amounts)		
Canadian GAAP Statement of Earnings:			
Gross premiums written	$ 5,518.6	$ 5,173.2	$ 4,422.7
Net premiums written	4,448.1	4,033.9	3,263.1
Net premiums earned	4,209.0	3,888.6	3,108.9
Interest and dividends	330.1	418.6	440.3
Realized gains	845.9	469.5	138.1
Claims fees	328.9	290.7	274.7
Total revenues	5,713.9	5,067.4	3,962.0
Losses on claims	3,240.6	2,998.7	2,627.8
Operating expenses	1,023.4	927.5	878.3
Commissions, net	776.1	706.2	673.6
Interest expense	146.3	87.0	109.0
Other		72.7	149.4
Total expenses	5,186.4	4,792.1	4,438.1
Income (loss) from operations before income taxes	527.5	275.3	(476.1)
Provision for (recovery of) income taxes	191.9	150.0	(250.0)
Income (loss) from operations before extraordinary item	335.6	125.3	(226.1)
Negative goodwill		188.4	
Net income (loss) before non-controlling interests	335.6	313.7	(226.1)
Non-controlling interests	(64.5)	(50.7)	2.3
Net income (loss)	$ 271.1	$ 263.0	$ (223.8)
Net income (loss) per diluted share	$ 18.23	$ 18.20	$ (18.13)
Selected Balance Sheet Data (at period end):			

Total investments and cash(1)	$ 12,566.1	$ 10,642.2	$ 10,285.8
Total assets	25,018.3	22,224.5	22,200.5
Total shareholders equity	2,918.0	2,248.0	2,031.4
Common shareholders equity per share	192.81	149.31	132.03

(1) Includes cash and short-term investments, marketable securities and total portfolio investments. See note 4 to our consolidated financial statements for the year ended December 31, 2003 for a discussion of the components of our portfolio investments.

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	Years Ended December 31,		
	2003	2002	2001
	(dollars in millions, except per share data)		
Selected Financial Ratios:			
Reinsurance Operations (OdysseyRe)			
Loss & loss adjustment expense ratio(1)	67.5%	68.9%	80.6%
Expense ratio(2)	29.4	30.2	34.8
Combined ratio	96.9%	99.1%	115.4%
U.S. Insurance Operations			
Loss & loss adjustment expense ratio(1)	70.9%	73.3%	84.0%
Expense ratio(2)	31.6	33.8	40.7
Combined ratio	102.5%	107.1%	124.7%
Canadian Insurance Operations (Northbridge)			
Loss & loss adjustment expense ratio(1)	65.5%	71.6%	78.5%
Expense ratio(2)	27.1	25.8	33.6
Combined ratio	92.6%	97.4%	112.1%
Consolidated combined ratio (excluding runoff)	97.6%	101.5%	120.1%
U.S. GAAP Reconciliation of Earnings:			
Net earnings (loss), Canadian GAAP	$ 271.1	$ 263.0	$ (223.8)
Recoveries (deferred gains) on retroactive reinsurance	(209.4)	33.2	(425.3)
Other than temporary declines in investments	(49.9)	(13.8)	
Cumulative catchup adjustment on changes in accounting for negative goodwill		112.6	
Amortization of negative goodwill			(31.8)
Other differences	1.5		10.3
Tax effect	91.0	(8.0)	154.7
Net earnings (loss), U.S. GAAP	$ 104.3	$ 387.0	$ (515.9)
Net earnings (loss), per diluted share, U.S. GAAP	$ 6.66	$ 26.88	$ (40.19)
U.S. GAAP Reconciliation of Shareholder s Equity:			
Total shareholders equity, Canadian GAAP	$2,918.0	$2,248.0	$2,031.4
Other comprehensive income	187.5	94.8	(83.0)
Reduction of other paid in capital	(101.4)		
Cumulative reduction in net earnings, U.S. GAAP	(541.2)	(374.4)	(469.9)
Total shareholders equity, U.S. GAAP	$2,462.9	$1,968.4	$1,478.5
Common shareholders equity per share, U.S. GAAP	$ 167.36	$ 129.54	$ 93.51

(1)

Loss and loss adjustment expense ratio is calculated as claims losses and loss adjustment expenses expressed as a percentage of net premiums earned. For further information on these ratios, please read the management s discussion and analysis incorporated by reference in this prospectus.

(2) Expense ratio is calculated as commissions, premium acquisition costs and other underwriting expenses as a percentage of net premiums earned. For further information on these ratios, please read the management s discussion and analysis incorporated by reference in this prospectus.

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RISK FACTORS

An investment in our securities involves risk. You should carefully consider the following risk factors, as well as the other information contained in and incorporated by reference into this prospectus, before deciding whether to participate in the exchange offer. Any of the following risks could materially adversely affect our business, financial condition or results of operations. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, financial condition or results of operations.

Overview

We operate with a holding company structure. The holding company controls our operating insurance and reinsurance companies, each of which must comply with applicable insurance regulations of the jurisdictions in which it operates. Each company must maintain reserves for losses and loss adjustment expenses to cover the risks it has underwritten. The reserves of one of our insurance or reinsurance companies are not available to be applied against the risks underwritten by other of our companies. The financial condition and results of operations of each of the insurance and reinsurance companies we control are included in our consolidated financial statements and, generally, losses incurred by any of our companies directly impact our consolidated results. Although a severe loss incurred by one company should not have any adverse effect on any of our other companies, such loss, even though not material to us when our financial condition is viewed as a whole, could have an adverse effect on us because it could affect adversely how our other companies are treated by others, including rating agencies and insurance regulators.

Risks Related to Our Business

If our actual claims exceed our claim reserves, our financial condition and results of operations could be adversely affected.

We maintain reserves to cover our estimated ultimate unpaid liability for losses and loss adjustment expenses with respect to reported and unreported claims incurred as of the end of each accounting period. Our success is dependent upon our ability to accurately assess the risks associated with the businesses that we reinsure or insure. If we fail to accurately assess the risks we assume, we may fail to establish appropriate premium rates and our reserves may be inadequate to cover our losses, which could have a material adverse effect on our financial condition and reduce our net income.

At December 31, 2003, we had net unpaid loss and loss adjustment expense reserves of approximately $6.9 billion. We incurred losses and loss adjustment expenses of $3.0, $2.9 and $2.7 billion for the years ended December 31, 2003, 2002 and 2001, respectively.

Reserves do not represent an exact calculation of liability, but instead represent estimates involving actuarial and statistical projections at a given point in time of our expectations of the ultimate settlement and administration costs of claims incurred. Establishing an appropriate level of claim reserves is an inherently uncertain process. We utilize both proprietary and commercially available actuarial models, as well as historical insurance industry loss development patterns, to assist in the establishment of appropriate claim reserves.

In contrast to casualty losses, which frequently can be determined only through lengthy and unpredictable litigation, non-casualty property losses tend to be reported promptly and usually are settled within a shorter period of time. Nevertheless, for both casualty and property losses, actual claims and claim expenses paid may deviate, perhaps substantially, from the reserve estimates reflected in our financial statements. Variables in the reserve estimation process can be affected by both internal and external events, such as changes in claims handling procedures, economic inflation, legal trends and legislative changes. Many of these items are not directly quantifiable, particularly on a prospective basis.

If our claim reserves are determined to be inadequate, we will be required to increase claim reserves with a corresponding reduction in our net income in the period in which the deficiency is rectified. It is

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possible that claims in respect of events that have occurred could exceed our claim reserves and have a material adverse effect on our results of operations in a particular period and/or our financial condition. For the year ended December 31, 2003, we increased our loss and loss adjustment expense reserves relating to prior periods by $456.3 million (before recovery under the Swiss Re Cover, described in our management s discussion and analysis for the year ended December 31, 2003, which is incorporated by reference into this prospectus), primarily relating to runoff business and asbestos claims.

Even though most insurance contracts have policy limits, the nature of property and casualty insurance and reinsurance is such that losses can exceed policy limits for a variety of reasons and could very significantly exceed the premiums received on the underlying policies. When this occurs, our financial results are adversely affected.

Our business could be harmed because of our potential exposure for asbestos, environmental and other latent claims.

We have established loss reserves for asbestos and environmental and other latent claims. There is a high degree of uncertainty with respect to future exposure from such claims because of: significant issues surrounding the liabilities of the insurers, including us; risks inherent in major litigation, including more aggressive environmental and asbestos-related litigation against insurers, including us; and diverging legal interpretations and judgments in different jurisdictions. These uncertainties include, among other things:

- the extent of coverage under insurance policies;
- whether or not particular claims are subject to an aggregate limit;
- the number of occurrences involved in particular claims; and
- new theories of insured and insurer liability.

In addition, insurers generally, including us, are experiencing an increase in the number of asbestos-related claims due to, among other things, more intensive advertising by lawyers seeking asbestos claimants, the increasing focus by plaintiffs on new and previously peripheral defendants and an increase in the number of entities seeking bankruptcy protection as a result of asbestos-related liabilities. In addition to contributing to the increase in claims, such bankruptcy proceedings may have the effect of significantly accelerating and increasing loss payments by insurers, including us.

Increasingly, policyholders have been asserting that their claims for asbestos-related insurance are not subject to aggregate limits on coverage and that each individual bodily injury claim should be treated as a separate occurrence under the policy. We expect this trend to continue. Although it is difficult to predict whether these policyholders will be successful on either of these issues, to the extent either issue is resolved in their favour, our coverage obligations under the policies at issue would be materially increased and bounded only by the applicable per occurrence limits and the number of asbestos bodily injury claims made by the policyholders. Accordingly, it is difficult to predict the ultimate size of the claims for coverage not subject to aggregate limits.

In addition, proceedings have recently been launched directly against insurers, including us, challenging insurers conduct in respect of asbestos claims, including in some cases with respect to previous settlements. Some plaintiffs have also advanced claims against us as defendants in asbestos personal injury cases that are close to trial. We anticipate the filing of other direct actions against insurers, including us, in the future. Particularly in light of jurisdictional issues, it is difficult to predict the outcome of these proceedings, including whether the plaintiffs will be able to sustain these actions against insurers based on novel legal theories of liability.

Similarly, as a result of various regulatory efforts aimed at environmental remediation, companies in the insurance industry, including us, continue to be involved in litigation involving policy coverage and liability issues with respect to environmental claims. In addition to regulatory pressures, the results of court decisions affecting the industry s coverage positions continue to be inconsistent and have expanded coverage beyond its original intent. Accordingly, the ultimate responsibility and liability for environmental remediation costs remains uncertain.

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Given the factors described above, it is not presently possible to quantify with a high degree of certainty the ultimate exposure or range of exposure represented by asbestos, environmental and other latent claims and related litigation. We have established reserves that represent our best estimate of ultimate claims and claim adjustment expenses based upon known facts and current law. Our gross asbestos reserves were $1.6 billion at December 31, 2003 and our gross reserves for environmental and other latent claims were $722.2 million. Our asbestos reserves, net of reinsurance but excluding vendor indemnities, were $772.2 million at December 31, 2003 and our reserves for environmental and other latent claims, net of reinsurance but excluding vendor indemnities, were $307.9 million. However, these claims and related litigation, particularly if current trends continue, could result in liability exceeding these reserves by an amount that could be material to our operating results and financial condition in future periods.

If our insurance and reinsurance subsidiaries are unable to maintain favourable financial strength ratings, it may be more difficult for them to maintain or write new business.

Third-party rating agencies assess and rate the claims-paying ability of reinsurers and insurers based upon the criteria of such rating agencies. Periodically the rating agencies evaluate our insurance companies to confirm that they continue to meet the criteria of the ratings previously assigned to them. The claims-paying ability ratings assigned by rating agencies to reinsurance or insurance companies represent independent opinions of financial strength and ability to meet policyholder obligations, and are not directed toward the protection of investors. Ratings by rating agencies are not ratings of securities or recommendations to buy, hold or sell any security and are not applicable to the securities offered by this prospectus.

A.M. Best has assigned an A rating (the third highest of fifteen ratings) to OdysseyRe, and an A- rating (the fourth highest of fifteen ratings) to each of Crum & Forster and Northbridge. Financial strength ratings are used by insurers and reinsurance and insurance intermediaries as an important means of assessing the financial strength and quality of insurers and reinsurers. Concerns about our liquidity have caused the agencies to place negative outlooks on our insurance subsidiaries, which could negatively impact their ability to write new business. A downgrade in these ratings could lead to a significant reduction in the number of insurance policies our insurance subsidiaries write.

If we are unable to realize our investment objectives, our business, financial condition or results of operations may be adversely affected.

Investment returns are an important part of our overall profitability and our operating results depend in part on the performance of our investment portfolio. Accordingly, fluctuations in the fixed income or equity markets could impair our profitability, financial condition or cash flows. We derive our investment income from interest and dividends, together with realized gains on the sale of investment assets. The portion derived from realized gains generally fluctuates from year to year. For the years ended December 31, 2003, 2002 and 2001, net realized gains accounted for approximately 71.9%, 52.9% and 19.3%, respectively, of our total investment income (including realized gains and losses). Realized gains are typically a less predictable source of investment income than interest and dividends, particularly in the short term.

The return on our portfolio and the risks associated with our investments are also affected by our asset mix, which can change materially depending on market conditions. Investments in cash or short term investments generally produce a lower return than other investments. At December 31, 2003, 47%, or $5.7 billion, of our invested assets were held in cash and short term investments pending our identifying suitable opportunities for reinvestment in line with our long-term value-oriented investment philosophy.

The volatility of our claims submissions may force us to liquidate securities, which may cause us to incur capital losses. If we structure our investments improperly relative to our liabilities, we may be forced to liquidate investments prior to maturity at a significant loss to cover such liabilities. Realized and unrealized investment losses resulting from an other than temporary decline in value could significantly decrease our assets, thereby affecting our ability to conduct business.

The ability to achieve our investment objectives is affected by general economic conditions that are beyond our control. General economic conditions can adversely affect the markets for interest-rate-sensitive

securities, including the extent and timing of investor participation in such markets, the level and volatility of interest rates and, consequently, the value of fixed income securities. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. General economic conditions, stock market conditions and many other factors can also adversely affect the equities markets and, consequently, the value of the equity securities we own. In addition, defaults by third parties who fail to pay or perform on their obligations could reduce our investment income and realized investment gains or result in investment losses. We may not be able to realize our investment objectives, which could reduce our net income significantly and adversely affect our business, financial condition or results of operations.

We cannot assure you that our reinsurers and certain insureds will pay us on a timely basis or at all.

Although reinsurance makes the assuming reinsurer liable to us to the extent of the risk ceded, we are not relieved of our primary liability to our insureds. As of December 31, 2003, we had a total of $8.5 billion recoverable from reinsurers. We cannot assure you that our reinsurers will pay our reinsurance claims on a timely basis or at all. As well, we bear credit risk with respect to our reinsurers (including retrocessionaires), both with respect to receivables reflected on our balance sheet as well as to contingent liabilities with respect to reinsurance protection on future claims. If reinsurers are unwilling or unable to pay us amounts due under reinsurance contracts, we will incur unexpected losses and our cash flow will be adversely affected.

We write certain insurance policies, such as large deductible policies (policies where the insured retains a specific amount of any potential loss), in which the insured must reimburse us for certain losses. Accordingly, we bear credit risk on these policies and cannot assure you that our insureds will pay us on a timely basis or at all. In the ordinary course of business we are sometimes unable to collect all amounts billed to insureds, generally due to disputes on audit of retrospectively rated policies and, in some cases, due to insureds having filed for bankruptcy protection. In addition, if an insured files for bankruptcy, we may be unable to recover on assets such insured may have pledged to us as collateral. We reserve for uncollectible amounts in the period the collection issues become known. The inability to collect amounts due to us reduces our net income and cash flow, and the ability of our insurance and reinsurance subsidiaries to pay dividends or make other distributions to us.

Unpredictable catastrophic events could reduce our net income.

Our insurance and reinsurance operations expose us to claims arising out of catastrophes. We have experienced, and will in the future experience, catastrophe losses which may materially reduce our profitability or harm our financial condition. Catastrophes can be caused by various events, including natural events such as hurricanes, windstorms, earthquakes, hailstorms, severe winter weather and fires, and unnatural events such as terrorist attacks and riots. The incidence and severity of catastrophes are inherently unpredictable.

The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Most catastrophes are restricted to small geographic areas; however, hurricanes, windstorms and earthquakes may produce significant damage in large, heavily populated areas, and most of our past natural catastrophe-related claims have resulted from severe storms. Catastrophes can cause losses in a variety of property and casualty lines. For example, the terrorist attack on September 11, 2001 caused losses in several of our lines, including property and liability. It is possible that a catastrophic event or multiple catastrophic events could have a material adverse effect upon our net income and financial condition.

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Claims resulting from natural or man-made catastrophic events could cause substantial volatility in our financial results for any fiscal quarter or year and could materially reduce our profitability or harm our financial condition. Our ability to write new business could also be affected. We believe that increases in the value and geographic concentration of insured property and the effects of inflation could increase the severity of claims from catastrophic events in the future. In addition, states have from time to time passed legislation that has the effect of limiting the ability of insurers to manage catastrophe risk, such as legislation prohibiting insurers from withdrawing from catastrophe-prone areas.

The cycles of the insurance and reinsurance industries may cause fluctuations in our results.

Historically, we have experienced fluctuations in operating results due to competition, frequency of occurrence or severity of catastrophic events, levels of capacity, general economic conditions and other factors. Demand for insurance and reinsurance is influenced significantly by underwriting results of primary insurers and prevailing general economic conditions.

The property and casualty insurance business historically has been characterized by periods of intense price competition due to excess underwriting capacity, as well as periods when shortages of underwriting capacity have permitted attractive premium levels. We expect to continue to experience the effects of this cyclicality, which, during down periods, could harm our financial condition, profitability or cash flows.

In the reinsurance industry, the supply of reinsurance is related to prevailing prices and levels of surplus capacity that, in turn, may fluctuate in response to changes in rates of return being realized. It is possible that premium rates or other terms and conditions of trade could vary in the future, that the present level of demand will not continue because the larger insurers created by the consolidation discussed below may require less reinsurance, or that the present level of supply of reinsurance could increase as a result of capital provided by recent or future market entrants or by existing reinsurers. If any of these events transpire, our results of operations in our reinsurance business could be adversely affected.

We operate in a highly competitive environment which could make it more difficult for us to attract and retain business.

The property and casualty insurance industry and the reinsurance industry are both highly competitive, and we believe that they will remain highly competitive in the foreseeable future. Competition in our industry is based on many factors, including premiums charged and other terms and conditions offered, products and services provided, financial ratings assigned by independent rating agencies, speed of claims payment, reputation, selling effort, perceived financial strength and the experience of the insurer or reinsurer in the line of insurance or reinsurance to be written. We compete, and will continue to compete, with major U.S. and non-U.S. insurers and reinsurers, as well as certain underwriting syndicates, some of which have greater financial, marketing and management resources than we do, and there is no assurance that we will be able to successfully retain or attract business.

Since the terrorist attack on September 11, 2001, a number of new insurers and reinsurers have been formed to compete in our industry, and a number of existing market participants have raised new capital which may enhance their ability to compete. In addition, we may not be aware of other companies that may be planning to enter our industry or existing participants that may be planning to raise additional capital. In addition, we have recently seen the creation of alternative products from capital market participants that are intended to compete with insurance and reinsurance products. We are unable to predict the extent to which these initiatives may affect the demand for our products, our premium volume or the risks that may be available for us to consider underwriting. Such increased competition could cause us and certain of our competitors to charge lower premium rates and obtain less favourable policy terms, which could adversely affect our ability to generate revenue and grow our business. Further, our plans for our business units could be adversely impacted by the loss of business to competitors offering competitive insurance products at lower prices, which would have an adverse effect on our results of operations.

Many insurance industry participants are consolidating to enhance their market power. These entities may try to use their market power to negotiate price reductions for our products and services. If competitive pressures compel us to reduce our prices, our operating margins would decrease. As the insurance industry consolidates, competition for customers will become more intense and the importance of acquiring and properly servicing each customer will become greater. We could incur greater expenses relating to customer acquisition and retention, further reducing our operating margins. In addition, insurance companies that merge may be able to spread their risks across a larger capital base so that they require less reinsurance.

We may be unable to obtain reinsurance coverage at reasonable prices or on terms that adequately protect us.

We use reinsurance arrangements, including reinsurance agreements with reinsurers, referred to as retrocessionaires, to help manage our exposure to property and casualty risks. The availability and cost of reinsurance are subject to prevailing market conditions, both in terms of price and available capacity, which can affect our business volume and profitability. Many reinsurance companies have begun to exclude certain coverages from, or alter terms in, the policies that we purchase from them. Some exclusions are with respect to risks which we cannot exclude in policies we write due to business or regulatory constraints, such as coverage with respect to acts of terrorism, mold and cyber risk. In addition, reinsurers are imposing terms, such as lower per occurrence and aggregate limits, on primary insurers that are inconsistent with corresponding terms in the policies written by these primary insurers. As a result, our insurance subsidiaries, like other primary insurance companies, increasingly are writing insurance policies which to some extent do not have the benefit of reinsurance protection. These gaps in reinsurance protection expose us to greater risk and greater potential losses. In the future, we may not be able successfully to alleviate risk through reinsurance arrangements.

In addition, although our current reinsurance program is primarily maintained with reinsurers rated A (Excellent) or better by A.M. Best, a reinsurer s insolvency or inability or unwillingness to make timely payments under the terms of its reinsurance agreements with us could have a material adverse effect on us.

We rely on independent brokers over whom we exercise little control, which exposes us to certain risks.

We do business with a large number of independent brokers on a non-exclusive basis and we cannot rely on their commitment to our insurance products. Moreover, in some markets we operate pursuant to open market arrangements in which we have no formal relationships with brokers who place our risk in these markets.

Because the majority of our brokers are independent, we have only limited ability to exercise control over them. In the event that an independent broker exceeds its authority by binding us on a risk which does not comply with our underwriting guidelines, we may be at risk for that policy until we receive the application and effect a cancellation. Although to date we have not experienced a material loss from improper use of binding authority of our brokers, any improper use of such authority may result in losses that could have a material adverse effect on our business, results of operations and financial condition.

In accordance with industry practice, our customers often pay the premiums for their policies to brokers for payment over to us. These premiums are considered paid when received by the broker and, thereafter, the customer is no longer liable to us for those amounts, whether or not we have actually received the premiums from the broker. Consequently, we assume a degree of credit risk associated with our reliance on brokers in connection with the settlement of insurance balances.

Further, as is customary in the reinsurance industry, OdysseyRe frequently pays amounts owing in respect of claims under its policies to reinsurance brokers, for payment over to the ceding insurers. In the event that a broker fails to make such a payment, depending on the jurisdiction, OdysseyRe might remain liable to the ceding insurer for the deficiency. Conversely, in certain jurisdictions, when the ceding insurer pays premiums for such policies to reinsurance brokers for payment over to OdysseyRe, such premiums will be deemed to have been paid and the ceding insurer will no longer be liable for those amounts, whether or not OdysseyRe has actually received such premiums. Consequently, in connection with the

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settlement of reinsurance balances, we assume a degree of credit risk associated with brokers around the world.

Assessments and other surcharges for guaranty funds and second-injury funds and other mandatory pooling arrangements may reduce the profitability of our U.S. insurance subsidiaries.

Virtually all states require insurers licensed to do business in their state to bear a portion of the loss suffered by some insureds as the result of impaired or insolvent insurance companies. These obligations are funded by assessments that are expected to increase in the future as a result of recent insolvencies. Many states also have laws that establish second-injury funds to provide compensation to injured employees for aggravation of a prior condition or injury, which are funded by either assessments based on paid losses or premium surcharge mechanisms. In addition, as a condition to the ability to conduct business in various jurisdictions, our insurance subsidiaries are required to participate in mandatory property and casualty shared market mechanisms or pooling arrangements, which provide various types of insurance coverage to individuals or other entities that otherwise are unable to purchase that coverage from private insurers. The effect of these assessments and mandatory shared-market mechanisms or changes in them could reduce the profitability of our U.S. insurance subsidiaries in any given period or limit their ability to grow their business.

We may be adversely affected by foreign currency fluctuations.

Our functional currency is the U.S. dollar. A portion of our premiums are written in currencies other than the U.S. dollar and a portion of our assets (including investments) and loss reserves are also in foreign currencies. We may, from time to time, experience losses resulting from fluctuations in the values of foreign currencies (including when our foreign currency assets and liabilities are hedged) which could adversely affect our operating results.

Our failure to realize future income tax assets could lead to a writedown, which could adversely affect our results of operations.

Realization of the future income tax asset is dependent upon the generation of taxable income in those jurisdictions where the relevant tax losses and other timing differences exist. The major component of the company s future income tax asset of $968.3 million at December 31, 2003 is $676.4 million relating to the company s U.S. consolidated tax group. Failure to achieve projected levels of profitability for our U.S. operations could lead to a writedown in this future tax asset if the recovery period becomes longer than expected.

Our business could be adversely affected by the loss of one or more key employees.

We are substantially dependent on a small number of key employees, including our Chairman and controlling shareholder, Mr. Prem Watsa, and the senior managers of our operating subsidiaries. We believe that the experiences and reputations in our industry of these individuals are important factors in our ability to attract new business. At the subsidiary level, we have entered into employment agreements with our key employees. Our success has been, and will continue to be, dependent on our ability to retain the services of our existing key employees and to attract and retain additional qualified personnel in the future. The loss of the services of any of these key employees, or the inability to identify, hire and retain other highly qualified personnel in the future, could adversely affect the quality and profitability of our business operations. We do not currently maintain key employee insurance with respect to any of our employees.

Our controlling shareholder may substantially influence our direction and operations.

Mr. Prem Watsa beneficially owns or controls 12.7% of all classes of our outstanding shares while controlling 55.3% of the votes associated with our shares. Mr. Watsa has the ability to control certain actions requiring shareholder approval, including approving a merger or consolidation, liquidation or sale of

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our assets, electing members of our board of directors and adopting amendments to our articles of incorporation and by-laws. As a shareholder, Mr. Watsa may have different interests than you have and therefore may make decisions that are adverse to your interests.

Our operations could be adversely affected as a result of regulatory, political, economic or other influences in the insurance and reinsurance industries.

The insurance and reinsurance industries are highly regulated and are subject to changing political, economic and regulatory influences. These factors affect the practices and operation of insurance and reinsurance organizations. Federal, state and provincial legislatures in the United States and Canada, as well as governments in foreign jurisdictions in which we do business, have periodically considered programs to reform or amend the insurance systems at both the federal and local levels.

Changes in current insurance regulations may include increased governmental involvement in the insurance industry or may otherwise change the business and economic environment in which insurance industry participants operate. In the United States, for example, the states of Hawaii and Florida have implemented arrangements whereby property insurance in catastrophe prone areas is provided through state-sponsored entities. The California Earthquake Authority, the first privately financed, publicly operated residential earthquake insurance pool, provides earthquake insurance to California homeowners.

Such changes could adversely affect our subsidiaries financial results, including their ability to pay dividends, cause us to make unplanned modifications of products or services, or result in delays or cancellations of sales of products and services by insurers or reinsurers. Insurance industry participants may respond to changes by reducing their investments or postponing investment decisions, including investments in our products and services. We cannot predict the future impact of changing law or regulation on our operations; any changes could have a material adverse effect on us or the insurance industry in general.

As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues can have a negative effect on our business by either extending coverage beyond our underwriting intent or by increasing the number or size of claims. Recent examples of emerging claims and coverage issues include:

- increases in the number and size of water damage claims related to expenses for testing and remediation of mold conditions;
- increases in the number and size of claims relating to construction defects, which often present complex coverage and damage valuation questions;
- changes in interpretation of the named insured provision with respect to the uninsured/ underinsured motorist coverage in commercial automobile policies; and
- a growing trend in the United States of plaintiffs targeting property and casualty insurers in purported class action litigation relating to claim-handling and other practices, particularly with respect to the handling of personal lines automobile and homeowners claims.

The effects of these and other unforeseen emerging claims and coverage issues are extremely hard to predict and could harm our business.

Our inability to obtain additional capital in the future as required could have a material adverse effect on our financial condition.

Our future capital requirements depend on many factors, including our ability to write new business successfully and to establish premium rates and reserves at levels sufficient to cover losses. To the extent that the funds generated by our business are insufficient to fund future operations, we may need to raise additional funds through equity or debt financings. Any equity or debt financing, if available at all, may be on terms that are not favorable to us. The cost and availability of debt financing is affected by credit ratings. Our senior debt at the holding company level is rated BB with stable outlook by Standard &

Poor s (the 12th of 22 rating categories) and Ba3 with stable outlook by Moody s (the 13th of 21 rating categories). Our ability to raise additional capital may be adversely affected by our credit ratings. We have $592.4 million of debt (excluding debt of our subsidiaries OdysseyRe and Lindsey Morden) coming due before December 31, 2008, including the old notes for which this offer is being made and notes of TIG for which the concurrent offer is being made. If we cannot obtain adequate capital or if we fail to refinance our existing debt as it comes due, our business, operating results and financial condition could be adversely affected.

The failure of any of the loss limitation methods we employ could have a material adverse effect on our financial condition or our results of operations.

Unlike most businesses, the insurance and reinsurance business can have enormous costs that can significantly exceed the premiums received on the underlying policies. We seek to limit our loss exposure by employing a variety of policy limits and other terms and conditions and through prudent underwriting of each program written. We also seek to limit our loss exposure by geographic diversification. We cannot be sure that any of these loss limitation methods will be effective. There can be no assurance that various provisions of our policies, such as limitations or exclusions from coverage or choice of forum, will be enforceable in the manner we intend, and there is no limit to the losses that can arise from most insurance policies.

If the value of our goodwill is impaired we would be required to write down the value of such assets.

A portion of our assets is comprised of goodwill, primarily related to our claims adjusting subsidiary Lindsey Morden. We test the carrying value of goodwill and other intangible assets for impairment at least annually. Should we identify that the value of goodwill is impaired, we would be required to write down the value of such assets to their fair value. Of Lindsey Morden s goodwill of $180.4 million at December 31, 2003, $137.7 million was related to its United Kingdom operations. The recoverability of this goodwill is sensitive to the ability of the United Kingdom operations to meet their profit and cash flow forecasts for 2004 and future years. Failure to meet those forecasts could result in a writedown of its goodwill.

Risks Related to the New Notes

The new notes are effectively subordinated to the indebtedness of our subsidiaries.

The new notes are effectively subordinated to any existing and future indebtedness and other liabilities of our subsidiaries. As a result, you will not have any claim as a creditor against our subsidiaries or the assets of our subsidiaries. Therefore, in the event of the insolvency or liquidation of a subsidiary, following payment by such subsidiary of its liabilities, the subsidiary may not have sufficient remaining assets to make payments to us as a shareholder or otherwise. In the event of a default by a subsidiary under our credit agreement or other indebtedness, its creditors could accelerate the debt, prior to such subsidiary distributing amounts to us that we could use to make payments on the new notes. In addition, if we caused a subsidiary to pay a dividend to us to make payments on the new notes, and the dividend were determined to be improperly paid, holders of the new notes would be required to return the payment to the subsidiary s creditors.

As of December 31, 2003, our subsidiaries had approximately $1.2 billion of indebtedness. In June 2003, we amended our bank credit agreements to provide more flexibility for our subsidiaries to incur debt without the consent of our bank lenders and our subsidiary debt may increase in the future. The terms of the new notes do not limit the ability of our subsidiaries to incur additional indebtedness that is senior to the new notes.

We are a holding company, and we may not have access to the cash that is needed to make payments on the new notes.

We are a holding company and we conduct substantially all of our business through our subsidiaries and receive substantially all of our earnings from them. Although substantially all of our operations are conducted through our subsidiaries, none of our subsidiaries is obligated to make funds available to us for payment on the new notes. Accordingly, our ability to make payments on the new notes is dependent on the distribution of earnings from our subsidiaries. The ability of our subsidiaries to pay dividends to us in the future will depend on their statutory surplus, on earnings and on regulatory restrictions. The ability of our subsidiaries to pay dividends or make distributions or returns of capital to us is subject to restrictions set forth in the insurance laws and regulations of Canada, the United States, Ireland and the United Kingdom and is affected by our subsidiaries credit agreements, indentures, rating agencies, the discretion of insurance regulatory authorities and capital support agreements with our subsidiaries. No assurance can be given that some or all of our operating subsidiaries jurisdictions will not adopt statutory provisions more restrictive than those currently in effect. Our subsidiaries may incur additional indebtedness that may severely restrict or prohibit the making of distributions, the payment of dividends or the making of loans by our subsidiaries to us. We cannot assure you that the agreements governing the current and future indebtedness of our subsidiaries will permit our subsidiaries to provide us with sufficient dividends, distributions or loans to fund payments on the new notes when due.

We may incur additional indebtedness that may adversely affect our ability to meet our financial obligations under the new notes.

Our obligations under the new notes rank equally with all of our other unsecured senior indebtedness. We may incur additional indebtedness in the future, which could have important consequences to holders of the new notes, including the following:

- we could have insufficient cash to meet our financial obligations, including our obligations under the new notes;
- our ability to obtain additional financing for working capital, capital expenditures or general corporate purposes may be impaired; and
- a significant degree of debt could make us more vulnerable to changes in general economic conditions and also could affect the financial strength ratings of our insurance subsidiaries.

Your decision to tender your old notes should be made with the understanding that the lengthened maturity of the new notes exposes you to the risks of non-payment for a longer period of time.

Holders of the new notes may not be protected in the event we are involved in a highly leveraged transaction, reorganization, restructuring, merger or similar transaction in the future.

The indenture under which the new notes will be issued may not sufficiently protect holders of new notes if we are involved in a highly leveraged transaction, reorganization, restructuring, merger or similar transaction. The indenture does not contain:

- any provision restricting any of our subsidiaries from incurring, assuming or being liable with respect to any indebtedness or other obligations;
- any provision restricting us or our subsidiaries from incurring, assuming or being liable with respect to any unsecured indebtedness or other unsecured obligations;
- any provision restricting us or any of our subsidiaries from paying dividends or making other distributions on capital stock or from purchasing or redeeming capital stock;
- any restrictions on the ability of our subsidiaries to issue securities that would be senior to the common shares of the subsidiary held by us;

- any financial ratios or specified level of net worth to which we or our subsidiaries must adhere; or
- any restrictions on our ability to contribute our assets to our insurance subsidiaries.

The price at which you may be able to resell your new notes may be adversely affected by factors that are beyond our control.

If you are able to resell your new notes, the price you receive will depend on many factors that may vary over time, including:

- the number of potential buyers;
- the level of liquidity of the new notes;
- our financial performance;
- the amount of indebtedness we have outstanding;
- the level, direction and volatility of market interest rates generally; and
- the market for similar securities.

As a result of these factors, you may only be able to sell your new notes at prices below those you believe to be appropriate, including prices below the price at which you acquired them in the offer.

There may be no active market for the new notes.

We cannot be sure that any active market for the new notes will develop, or if one does develop, that it will be maintained. If an active market for the new notes fails to develop or be sustained, the trading price of the new notes could decline. We do not intend to apply for listing of the new notes on any securities exchange or any automated quotation system.

Risks Related to Tendering Old Notes for New Notes

The exchange offer will result in reduced liquidity of unexchanged old notes

The trading market for unexchanged old notes could become more limited than the existing limited trading market for the old notes and could cease to exist altogether due to the reduction in the amount of the old notes outstanding upon consummation of the exchange offer. A more limited trading market might adversely affect the liquidity, market price and price volatility of the old notes. If a market for unexchanged old notes exists or develops, the old notes may trade at a discount to the price at which they would trade if the amount outstanding were not reduced. There can, however, be no assurance that an active market in the unexchanged old notes will exist, develop or be maintained or as to the prices at which the unexchanged old notes may be traded.

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CAPITALIZATION

Canadian GAAP

The table below sets forth our capitalization as of December 31, 2003 under Canadian GAAP. The As Adjusted column reflects our capitalization after giving effect to (a) this exchange offer (assuming that holders of 50% of the aggregate principal amount of each series of outstanding old notes participate in the exchange offer and that all of such holders tender their old notes prior to the early participation date) and (b) a concurrent offer to certain holders of $97.7 million aggregate principal amount of 8 1/8% notes due 2005 issued by TIG to exchange their notes for cash and our notes with the same terms as the new notes offered hereby, except for certain transfer restrictions and related provisions (assuming that holders of 50% of the aggregate principal amount of the TIG notes participate in the concurrent offer and that all of such holders tender their TIG notes prior to the early participation date applicable to the concurrent offer). The cash to be paid in the exchange offer and the concurrent offer will be paid out of our existing cash. You should read this table in conjunction with our audited consolidated financial statements for the year ended December 31, 2003, incorporated by reference into this prospectus.

	As of December 31, 2003	
	Actual	**As Adjusted**
	(dollars in millions)	
Cash, short-term investments and marketable securities(1)	$ 410.2	$ 330.4
Debt(2)		
Long-term debt	$1,843.7	$1,572.4
Purchase consideration payable	200.6	200.6
Trust preferred securities of subsidiaries	79.8	79.8
Convertible senior debentures(3)	99.0	99.0
Indebtedness of Lindsey Morden	108.8	108.8
New notes		211.6
Total debt		