

FAIRFAX FINANCIAL HOLDINGS LTD/ CAN  
Form 40-F  
March 04, 2011

**U.S. Securities and Exchange Commission  
Washington, D.C. 20549  
Form 40-F**

[Check one]

**Registration statement pursuant to section 12 of the Securities Exchange Act of 1934**  
**or**

**Annual report pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934**  
**For the fiscal year ended December 31, 2010 Commission File Number: 1-31556**

**FAIRFAX FINANCIAL HOLDINGS LIMITED**

(Exact name of Registrant as specified in its charter)

**Canada**

(Province or other jurisdiction of incorporation or organization)

**6331**

(Primary Standard Industrial Classification Code Number (if applicable))

**95 Wellington Street West**

**Suite 800**

**Toronto, Ontario Canada**

**M5J 2N7**

**(416) 367-4941**

(Address and telephone number of Registrant's principal executive offices)

**Not Applicable**

(I.R.S. Employer Identification Number (if applicable))

**CT Corporation System**

**111 Eighth Avenue, 13<sup>th</sup> Floor**

**New York, NY 10011**

**U.S.A.**

**(212) 894-8700**

(Name, address (including zip code) and telephone number (including area code)  
of agent for service in the United States)

Securities registered pursuant to Section 12(b) of the Act:

**Not Applicable**

Securities registered or to be registered pursuant to Section 12(g) of the Act:

**Subordinate Voting Shares**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

**Not Applicable**

For annual reports, indicate by check mark the information filed with this Form:

Annual information form  Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

**Subordinate Voting Shares**

**19,706,477**

**Multiple Voting Shares**

**1,548,000**

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes

No

---

### **UNDERTAKING AND CONSENT TO SERVICE OF PROCESS**

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the staff of the Securities and Exchange Commission, and to furnish promptly, when requested to do so by the Securities and Exchange Commission staff, information relating to the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities. The Registrant has previously filed with the Securities and Exchange Commission a Form F-X in connection with the class of securities in relation to which the obligation to file this report arises.

### **CONTROLS AND PROCEDURES**

#### *Evaluation of Disclosure Controls and Procedures*

The Registrant's chief executive officer and its chief financial officer, after evaluating the effectiveness of the Registrant's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this annual report on Form 40-F, have concluded, based upon such evaluation, that the Registrant's disclosure controls and procedures were effective as of the end of such period.

#### *Management's Report on Internal Control over Financial Reporting*

Management's Report on Internal Control over Financial Reporting is included in p. 20 in Exhibit 2 hereto and is incorporated by reference herein.

#### *Attestation Report of the Registered Public Accounting Firm*

The attestation report of PricewaterhouseCoopers LLP on internal control over financial reporting is included in Exhibit 2 hereto and is incorporated by reference herein.

#### *Changes in Internal Control over Financial Reporting*

There was no change in the Registrant's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

### **IDENTIFICATION OF THE AUDIT COMMITTEE**

The Registrant has a standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the Registrant's audit committee are Alan D. Horn, Anthony F. Griffiths, Robert J. Gunn and Timothy R. Price. The disclosure provided under "Statement of Corporate Governance Practices - Audit Committee" in the Registrant's Management Proxy Circular, included as Exhibit 5 hereto, is incorporated by reference herein.

### **AUDIT COMMITTEE FINANCIAL EXPERT**

The Registrant's board of directors determined that it has at least one audit committee financial expert serving on its audit committee. Mr. Alan D. Horn has been determined to be such an audit committee financial expert and is independent as that term is defined by the New York

Stock Exchange's listing standards. The U.S. Securities and Exchange Commission has indicated that the designation of Mr. Horn as an audit committee financial expert does not make Mr. Horn an expert for any purpose, impose any duties, obligations or liability on Mr. Horn that are greater than those imposed on members of the audit committee and board of directors who do not carry this designation or affect the duties, obligations or liability of any other members of the audit committee or board of directors.

#### **CORPORATE GOVERNANCE GUIDELINES**

The disclosure provided under Statement of Corporate Governance Practices in the Registrant's Management Proxy Circular, included as Exhibit 5 hereto, is incorporated by reference herein.

#### **CODE OF ETHICS**

The disclosure provided under Statement of Corporate Governance Practices in the Registrant's Management Proxy Circular, included as Exhibit 5 hereto, is incorporated by reference herein.

#### **PRINCIPAL ACCOUNTANT FEES AND SERVICES**

For details on the Registrant's accountant fees payable to PricewaterhouseCoopers LLP and its affiliates for the years ended December 31, 2010 and December 31, 2009, as well as a description of the nature of each category of fees, see the information under Audit Committee in the Registrant's Annual Information Form dated March 4, 2011, included as Exhibit 1 hereto.

#### *Pre-Approval Policies and Procedures*

The Registrant's Audit Committee has adopted a pre-approval policy with respect to permitted audit and non-audit services. Non-audit fees are expected to relate primarily to tax advisory services. Under the policy, estimated non-audit fees payable by the Registrant and its subsidiaries must be submitted prior to the initiation of non-audit services in advance of each financial quarter for pre-approval by the Registrant's Audit Committee. Requests by the Registrant or its subsidiaries for pre-approval of non-audit fees (other than tax advisory services discussed below) within any financial quarter must be submitted to the Registrant's chief financial officer and approved by the Chair of the Audit Committee and must be presented to the Committee at its next meeting. During any quarter, the Registrant's chief financial officer may approve requests for tax advisory services of less than CDN \$5,000 per item subject to an aggregate quarterly limit of CDN \$25,000 for Canadian and international tax matters and \$25,000 for U.S. tax matters. For the year ended December 31, 2010, none of the services described above were approved by the Audit Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Registrant and its subsidiaries have certain security arrangements and commitments that have financial implications. These arrangements are described in Note 15 to the Registrant's audited consolidated financial statements for the year ended December 31, 2010 included as Exhibit 2 hereto.

---

### **TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS**

Tabular disclosure of the Registrant's present and future obligations as at December 31, 2010 is provided in Note 20 to the Registrant's audited consolidated financial statements for the year ended December 31, 2010 included as Exhibit 2 hereto.

For further details on the Registrant's provision for claim liability, long term debt principal and interest payments, purchase obligation and other liabilities payments and operating lease payments, see Notes 7, 10, 11 and 17 of the Registrant's audited consolidated financial statements for the year ended December 31, 2010 included as Exhibit 2 hereto.

### **FORWARD-LOOKING INFORMATION**

Certain statements contained herein may constitute forward-looking statements and are made pursuant to the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. The words "believe", "anticipate", "project", "expect", "intend", "will likely result", "will seek to", or "will continue" and similar expressions identify forward-looking statements which relate to, among other things, the Registrant's plans and objectives for future operations and reflect the Registrant's current views with respect to future results, performance and achievements. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Fairfax to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include, but are not limited to: a reduction in net income if our loss reserves (including reserves for asbestos, environmental and other latent claims) are insufficient; underwriting losses on the risks we insure that are higher or lower than expected; the occurrence of catastrophic events with a frequency or severity exceeding our estimates; the cycles of the insurance market and general economic conditions, which can substantially influence our and our competitors' premium rates and capacity to write new business; changes in market variables, including interest rates, foreign exchange rates, equity prices and credit spreads, which could negatively affect our investment portfolio; risks associated with our use of derivative instruments; the failure of our hedging methods to achieve their desired risk management objective; 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, insurance producers or reinsurance intermediaries fail to remit premiums that are owed to us or failure by our insureds to reimburse us for deductibles that are paid by us on their behalf; risks associated with implementing our business strategies; the timing of claims payments being sooner or the receipt of reinsurance recoverables being later than anticipated by us; the inability of our subsidiaries to maintain financial or claims paying ability ratings; a decrease in the level of demand for insurance or reinsurance products, or increased competition in the insurance industry; the failure of any of the loss limitation methods we employ; the impact of emerging claim and coverage issues; our inability to obtain reinsurance coverage in sufficient amounts, at reasonable prices or on terms that adequately protect us; our inability to access cash of our subsidiaries; our inability to obtain required levels of capital on favorable terms, if at all; loss of key employees; 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; risks associated with government investigations of, and litigation related to, insurance industry practice or any other conduct; risks associated with political and other developments in foreign jurisdictions in which we operate; risks associated with the current purported class action litigation; risks associated with our pending civil litigation; the influence exercisable by our significant shareholder; adverse fluctuations in foreign currency exchange

---

rates; our dependence on independent brokers over whom we exercise little control; an impairment in the carrying value of our goodwill and indefinite-lived intangible assets; our failure to realize future income tax assets; assessments and shared market mechanisms which may adversely affect our U.S. insurance subsidiaries; and failures or security breaches of our computer and data processing systems. Additional risks and uncertainties are described in Exhibit 3 hereto under the heading "Issues and Risks". Fairfax disclaims any intention or obligation to update or revise any forward-looking statements.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

FAIRFAX FINANCIAL HOLDINGS LIMITED

Date: March 4, 2011

By: /s/ Bradley P. Martin

Name: Bradley P. Martin

Title: Vice President, Chief Operating  
Officer and  
Corporate Secretary

---

**EXHIBIT INDEX**

- 1 Annual Information Form dated March 4, 2011
- 2 Audited Consolidated Financial Statements of the Registrant as of December 31, 2010 and 2009 and for the three years in the period ended December 31, 2010, the related notes and the auditor's report relating to the consolidated financial statements and the effectiveness of internal control over financial reporting
- 3 Management's Discussion and Analysis of Financial Condition and Results of Operations dated March 4, 2011, including Management's Report on Internal Control over Financial Reporting
- 4 Narrative Description of Business dated March 4, 2011
- 5 The information under "Statement of Corporate Governance Practices" in the Registrant's Management Proxy Circular, dated March 4, 2011 in connection with the annual meeting of shareholders to be held on April 20, 2011, is incorporated herein by reference to Exhibit 1 to the Registrant's Report on Form 6-K furnished to the Securities and Exchange Commission on March 4, 2011
- 6 [intentionally omitted]
- 7 Consent of PricewaterhouseCoopers LLP regarding its report dated March 4, 2011
- 8 Rule 13a-14(a)/15d-14(a) Certifications:  
Certification of Registrant's Chief Executive Officer  
Certification of Registrant's Chief Financial Officer
- 9 Section 1350 Certifications:  
Certification of Registrant's Chief Executive Officer  
Certification of Registrant's Chief Financial Officer