

FAIRFAX FINANCIAL HOLDINGS LTD/ CAN

Form 40-F

March 31, 2005

**U.S. Securities and Exchange Commission  
Washington, D.C. 20549**

**Form 40-F**

**Annual report pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended **December 31, 2004**

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:

Title of each class

Name of each exchange  
on which registered

**Subordinate Voting Shares**

**New York Stock Exchange**

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

<b>Subordinate Voting Shares</b>	<b>15,342,759</b>
<b>Multiple Voting Shares</b>	<b>1,548,000</b>

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the Exchange Act). If Yes is marked, indicate the filing number assigned to the Registrant in connection with such Rule.

Yes       82-\_\_\_\_\_      No

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

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## **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.

## **DISCLOSURE 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 as Exhibit 2 hereto and is incorporated by reference herein.

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

The Attestation Report of PricewaterhouseCoopers LLP on management's assessment of internal control over financial reporting is included in Exhibit 3 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 Frank B. Bennett, Anthony F. Griffiths, Robbert Hartog and Paul Murray (expected effective April, 2005). The disclosure provided under Statement of Corporate Governance Practices Audit Committee in the Registrant's Management Proxy Circular, included as Exhibit 6 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. The Chair of the Registrant's audit committee, Mr. Robbert Hartog, 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 applicable to the Registrant. The U.S. Securities and Exchange Commission has indicated that the designation of Mr. Hartog as an audit committee financial expert does not make Mr. Hartog an expert for any purpose, impose any duties, obligations or liability on Mr. Hartog 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 6 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 6 hereto, is incorporated by reference herein.

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**PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Accountant fees payable for the years ended December 31, 2004 and December 31, 2003 to PricewaterhouseCoopers LLP and its affiliates were CDN\$17.2 million and CDN\$13.1 million, respectively. The fees payable to PricewaterhouseCoopers LLP in 2004 and 2003 are detailed below.

	<b>Year ended December 31, 2004 (CDN \$ millions)</b>	<b>Year ended December 31, 2003 (CDN \$ millions)</b>
<b>Audit fees</b>	\$ 14.6	\$ 10.3
<b>Audit-related fees</b>	0.4	0.5
<b>Tax fees</b>	1.9	2.1
<b>All other fees</b>	0.3	0.2
<b>Total</b>	\$ 17.2	\$ 13.1

The nature of each category of fees is described below.

*Audit Fees*

Audit fees were paid for professional services rendered for the audits of consolidated financial statements and the effectiveness of internal control over financial reporting of the Registrant and statutory and subsidiary audits, issuance of comfort letters, consents, assistance with review of documents filed with regulatory authorities and actuarial attestation of policy liabilities.

*Audit-Related Fees*

Audit-related fees were paid for assurance and related services related to employee pension and benefit plan audits, accounting consultations, audits in connection with acquisitions, internal control reviews and assurance services that are not required by statute or regulation and special actuarial reviews.

*Tax Fees*

Tax fees were paid for services related to tax compliance, tax advice and tax planning professional services. These services consisted of: tax compliance including the review of original and amended tax returns, assistance with questions regarding tax audits and tax planning and advisory services relating to common forms of domestic and international taxation (e.g., income tax, capital tax, Goods and Services Tax and Value Added Tax).

*All Other Fees*

Fees disclosed in the table above under the item all other fees were paid for products and services other than the audit fees, audit-related fees and tax fees described above. These services consisted primarily of Canadian Public Accounting Board fees, claims handling services and French translation of the Registrant's regulatory filings, including its annual consolidated financial statements and management's discussion and analysis for the year ended December 31, 2004, interim consolidated financial statements and quarterly reports to shareholders, financial

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information included in the Annual Information Form, prospectuses and other offering documents.

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*Pre-Approval Policies and Procedures*

The Registrant's Audit Committee has adopted a pre-approval policy with respect to permitted 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 and 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. 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, 2004, 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 Notes 3, 11 and 13 to the Registrant's audited consolidated financial statements for the year ended December 31, 2004 included as Exhibit 3 hereto.

**TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS**

Tabular disclosure of the Registrant's present and future obligations as at December 31, 2004 is provided in the Registrant's Management's Discussion and Analysis of Financial Condition and Results of Operations at pages 109-110 of Exhibit 4.

For further details on the Registrant's provision for claims liability, long term debt principal and interest payments, operating lease payments, purchase obligation and other liabilities payments, see Notes 4, 5, 6, 13 and 16 of the Registrant's audited consolidated financial statements for the year ended December 31, 2004 included as Exhibit 3 hereto.

**FORWARD-LOOKING INFORMATION**

Documents and statements herein and documents herein incorporated by reference include forward-looking statements. All forward looking statements are based on the Registrant's current beliefs as well as assumptions made by and information currently available to the Registrant and relate to, among other things, anticipated financial performance, business prospects, strategies, regulatory developments and market forces. By its nature, such forward-looking information is subject to various risks and uncertainties, including those discussed herein, which could cause the Registrant's actual results and experience to differ materially from the anticipated results or other expectations expressed. Readers are cautioned not to place undue reliance on this forward-looking information, which is as of the date hereof, and the Registrant undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise.



**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 31, 2005

By: /s/ Paul Rivett  
Name: Paul Rivett  
Title: Vice President

**EXHIBIT INDEX**

- 1 Annual Information Form dated March 31, 2005
- 2 Management's Report on Internal Control over Financial Reporting
- 3 Audited Consolidated Financial Statements of the Registrant as of December 31, 2004 and 2003 and for the three years ended December 31, 2004 and related notes and the auditor's report thereon
- 4 Management's Discussion and Analysis of Financial Condition and Results of Operations dated March 4, 2005
- 5 Narrative Description of Business, including Review of Business, Insurance and Reinsurance Operations, Runoff Operations, and Claims Adjusting Operations
- 6 The information under "Statement of Corporate Governance Practices" in the Registrant's Management Proxy Circular, dated March 4, 2005 in connection with the annual meeting of shareholders to be held on April 12, 2005, 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 11, 2005
- 7 Consent of PricewaterhouseCoopers LLP regarding its report dated March 4, 2005
- 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