ASSOCIATION REPORT ON EXAMINATION

OF THE

CRUM & FORSTER INDEMNITY COMPANY

AS OF

DECEMBER 31, 2000

EXAMINER	STATE	ZONE
JIMMIE NEWSOME	NEW YORK	NORTHEASTERN
ALAN J. KEATING	MISSISSIPPI	SOUTHEASTERN

Honorable Alfred W. Gross
Chairman, Financial Condition
Subcommittee, NAIC
2301 McGee Street, Suite 800
Kansas City, Missouri 64108-2604

Honorable Alfred W. Gross
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State Corporation Commission
Bureau of Insurance
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P.O. Box 1157
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Honorable Diane Koken
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Pennsylvania Insurance Department
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Honorable Charles Cohen
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Secretary-Treasurer, Western Zone
Arizona Department of Insurance
2910 North 44th Street, Suite 210
Phoenix, Arizona 85018

Honorable Gregory V. Serio
Superintendent of Insurance
State of New York
Albany, New York 12257

Commissioners:

In accordance with your several instructions, an Association Examination has been made as of December 31, 2000 into the financial condition and affairs of the Crum & Forster Indemnity Company and the following report is respectively submitted thereon.

REPORT ON EXAMINATION

OF THE

CRUM & FORSTER INDEMNITY COMPANY

AS OF

DECEMBER 31, 2000

DATE OF REPORT	OCTOBER 19, 2001
EXAMINER	JIMMIE NEWSOME

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

GEORGE E. PATAKI
Governor

GREGORY V. SERIO
Superintendent of Insurance

October 19, 2001

Honorable Gregory V. Serio
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 21730 dated May 1, 2001, attached hereto, I have made an examination into the condition and affairs of the Crum & Forster Indemnity Company as of December 31, 2000 and submit the following report thereon.

The examination was conducted at the Company's administrative office located at 305 Madison Avenue, Morristown, New Jersey 07960.

Wherever the designations "the Company" and "CFI" appear herein without qualification, it should be understood to indicate the Crum & Forster Indemnity Company.

Whenever the designation “the Department” appears herein without qualification, it should be understood to indicate the New York Insurance Department.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 1995. This examination covers the five-year period from January 1, 1996 through December 31, 2000. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination was limited in its scope and covers only those balance sheet items considered by this Department to require analysis, verification or description. The items reviewed were cash and invested assets, intercompany balances, loss and loss adjustment expense reserves, and the provision for reinsurance. The examination included a review of income and disbursements deemed necessary to accomplish such verification, and utilized, to the extent considered appropriate, work performed by the Company's independent certified public accountants. A review or audit was also made of the following items as called for in the Examiners Handbook of the National Association of Insurance Commissioners:

History of the Company
Management and control
Corporate records
Fidelity bonds and other insurance
Territory and plan of operation
Growth of the Company
Business in force
Loss experience
Reinsurance
Market conduct activities
Accounts and records
Financial statements

A review was also made to ascertain what action was taken by the Company with regard to comments and recommendations in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters, which involve departures from laws, regulations or rules, or which are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

The Company was incorporated under the laws of New York on December 2, 1987, as Finmar Reinsurance Corporation. It commenced business on December 31, 1987. On June 12, 1995, Premier Insurance Company merged with Finmar Reinsurance Corporation the surviving corporation. Effective the same date Finmar Reinsurance Corporation formally changed its name to Crum & Forster Indemnity Company.

The Company's charter was originally filed in the office of the Superintendent of Insurance of the State of New York on December 2, 1987, and was amended and restated effective June 12, 1995 and November 14, 1995. The Company's paid-in capital was three million five hundred thousand ($3,500,000) dollars, consisting of one hundred thousand (100,000) shares of common stock with a par value of thirty-five ($35) dollars per share. All authorized shares are issued and outstanding.

The Company's capital and gross paid-in and contributed surplus were $3,500,000 and $2,750,000, respectively, as of December 31, 2000.

A. Management

Pursuant to the Company's charter and by-laws, as amended, management of the Company is vested in a board of directors, consisting of not less than thirteen nor more than twenty-one members. As of the examination date, the board of directors was comprised of thirteen members. The board met four times during each calendar year. The directors as of December 31, 2000, were as follows:

Name and Residence	Principal Business Affiliation
Nikolas Antonopoulos Basking Ridge, New Jersey	President, Crum & Forster Indemnity Company
Andrew A. Barnard Ardsley, New York	Chief Executive Officer and President, Odyssey Re Group, Ltd.
Joseph F. Braunstein, Jr. Yardley, Pennsylvania	Senior Vice President, Crum & Forster Indemnity Company
Peter J. Daly Basking Ridge, New Jersey	Senior Vice President, Crum & Forster Indemnity Company
Bruce A. Esselborn Dunwoody, Georgia	Chairman of the Board and CEO, Crum & Forster Indemnity Company
Dennis J. Hammer Somerville, New Jersey	Vice President and Controller, Crum & Forster Indemnity Company
Paul Kush Souderton, Pennsylvania	Vice President, Crum & Forster Indemnity Company
Albert B. Lewis New York, New York	Counsel, D'Amato & Lynch
Douglas M. Libby New York, New York	President, Seneca Insurance Company
Gary S. Resman Woodcliff Lake, New Jersey	Senior Vice President, Crum & Forster Indemnity Company
Mary Jane Robertson Atlanta, Georgia	CFO, Treasurer and Executive Vice President, Crum & Forster Indemnity Company
Francis W. Rode Mendham, New Jersey	Vice President, Crum & Forster Indemnity Company
Frances A. Smith Summit, New Jersey	Vice President, Crum & Forster Indemnity Company

The minutes of all meetings of the board of directors and committees thereof held during the examination period were reviewed to determine if each director was willing and maintaining an active role in the corporate management of Crum & Forster Indemnity Company. Overall, the attendance of the board of directors was adequate during the period of examination.

The principal officers of the Company as of December 31, 2000, were as follows:

Name	Title
Bruce A. Esselborn	Chairman of the Board and Chief Executive Officer
Nikolas Antonopoulos	President
Mary Jane Robertson	CFO, Treasurer and Executive Vice President
Joseph F. Braunstein, Jr.	Senior Vice President
Peter J. Daly	Senior Vice President
Gary S. Resman	Senior Vice President
Francis W. Rode	Senior Vice President
Dennis J. Hammer	Vice President and Controller
Valerie J. Gasparik	Vice President and Corporate Secretary
Frances A. Smith	Vice President

B. Territory and Plan of Operation

As of the examination date, the Company was licensed to transact business in thirty-two states, as well as the District of Columbia. Approximately seventy-nine percent (79%) of the Company's direct writings in the year 2000 were concentrated in Florida, New York, Pennsylvania and Texas.

A comparison between direct premiums written in New York and nationwide during the examination period is detailed below:

DIRECT PREMIUMS WRITTEN

Year	New York State	Nationwide	Premiums Written in New York State as a Percentage of United States Premiums
1996		$23,104,039	
1997		$23,345,755	
1998	$144,551	$24,869,122	1%
1999	$3,609,969	$30,954,542	12%
2000	$5,366,377	$46,971,010	12%

As of December 31, 2000, the Company was authorized to transact the kinds of insurance, as defined in the following numbered paragraphs of Section 1113 (a) of the New York Insurance Law:

Paragraph	Kind of Insurance
4	Fire
5	Miscellaneous property damage
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
17	Credit
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity
22	Residual value

The Company is also authorized to transact such workers' compensation insurance as may be incident to coverages contemplated under paragraphs 20 and 21 of Section 1113 (a), of the New York

Insurance Law, including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress as amended; 33 USC Section 901 et seq. as amended).

In addition, the Company has complied with the necessary requirements pursuant to law and is authorized to transact the business of Special Risk Insurance pursuant to Article 63 of the New York Insurance Law.

Based upon the lines of business for which the Company is licensed, and the Company's current capital structure, and pursuant to the requirements of Articles 13, 41 and 63 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of $6,200,000.

Effective January 1, 2000, the Company and certain affiliates entered into a reinsurance participation agreement by which the premiums, losses, dividends to policyholders and other underwriting expenses of each participant are pooled by means of mutual reinsurance on a fixed percentage. This matter is further discussed herein under Item 2C, “Reinsurance”.

Business is produced through approximately eight hundred (800) independent agents nationwide. The Company maintains six regional offices located throughout the United States. CFI's current book is distributed as follows: 35% commercial multi-peril, 24% commercial auto, 17% workers’ compensation and 17% general liability including umbrella.

C. Reinsurance

The Company's assumed reinsurance premiums represent approximately nineteen (19%) percent of its business as compared to its direct writings. The majority of the assumptions are from United States Fire Insurance Company ("U.S. Fire") pursuant to the provisions of a pooling agreement.

In addition to the business assumed above, the Company also participates in mandated pools. States where the Company writes business require that the insurer participate in state pools based upon the percentage of premiums written for the prior year. The line of business is primarily fire and allied lines.

Effective January 1, 2000, the Company and certain affiliates ("Pool Participants") entered into a reinsurance participation agreement by which the premiums, losses, dividends to policyholders and other underwriting expenses of each participant are pooled by means of mutual reinsurance on a fixed percentage basis, as follows:

Pool Participants	Percentage
United States Fire Insurance Company	75%
The North River Insurance Company	22%
Crum & Forster Insurance Company	1%
Crum & Forster Underwriters Co. of Ohio	1%
Crum & Forster Indemnity Company	1%

The effective date of this agreement was January 1, 2000. The agreement was approved by the Insurance Department on August 31, 2000.

Under the terms of the agreement, beginning in the year 2000, all underwriting operations of the Pool Participants are conducted by means of mutual reinsurance on the fixed percentages for each company. The agreement provides that U.S. Fire, acting as the lead company, assumes from the Pool Participants 100% of their premiums, losses, and other underwriting expenses, and in turn cedes to each Pool Participant its participating percentage of premiums, losses, dividends to policyholders and other underwriting expenses. The following items are excluded from the agreement: non-underwriting assets and liabilities such as intercompany balances, liabilities for federal income taxes, and the investment transactions of the affiliated companies.

The Schedule F data as contained in the Company's Annual Statements filed for the years within the examination period was found to accurately reflect its reinsurance transactions.

The examiner reviewed all ceded reinsurance contracts effected during the examination period. These contracts all contained the required standard clauses including insolvency clauses meeting the requirements of Section 1308 of the New York Insurance Law.

As of December 31, 2000, the Company had the following general working excess of loss reinsurance program in place:

Type of Treaty	Cession
I. Property Working Cover:	
Property Per Risk Excess of Loss:	
First Layer 100% Authorized	100% of $9,000,000 each risk each loss excess of $1,000,000, occurrence limit: $45,000,000.
Second Layer 97.25% Authorized 2.75% Unauthorized	100% of $15,000,000 each risk each loss excess of $10,000,000, occurrence limit: $45,000,000.

Type of Treaty	Cession
Third Layer 94.75% Authorized 5.25% Unauthorized	100% of $25,000,000 each risk each loss excess of $25,000,000, occurrence limit: $50,000,000.
II. Property Catastrophe Cover:	
Property Catastrophe Excess of Loss:	
First Layer 76% Authorized 24% Unauthorized	100% of $10,000,000 ultimate net loss each and every loss occurrence excess of $15,000,000, ultimate net loss each and every occurrence.
Second Layer 65.48% Authorized 34.52% Unauthorized	100% of $55,000,000 ultimate net loss each and every loss occurrence excess of $25,000,000, ultimate net loss each and every occurrence.
Third Layer 64.12% Authorized 35.88% Unauthorized	100% of $100,000,000 ultimate net loss each and every loss occurrence excess $80,000,000, ultimate net loss each and every occurrence.
III. Umbrella Working Cover:	
Umbrella Per Risk Excess of Loss:	
First Layer 100% Authorized	100% of $2,000,000 ultimate net loss each risk, each occurrence, or claim, or accident excess of $1,000,000.
Second Layer 92% Authorized 8% Unauthorized	100% of $7,000,000 ultimate net loss each risk, each occurrence, or claim, or accident excess of $3,000,000.
Third Layer 97% Authorized 3% Unauthorized	100% of $15,000,000 ultimate net loss each risk, each occurrence, or claim, or accident excess of $10,000,000.
Fourth Layer 77% Authorized 23% Unauthorized	100% of $25,000,000 ultimate net loss each risk, each occurrence, or claim, or accident excess of $25,000,000.

Type of Treaty	Cession
IV. Casualty Working Cover:	
Workers' Compensation Excess of Loss 100% Authorized	$1,000,000 ultimate net loss each event not to exceed statutory maximum limits.
V. Contract & Miscellaneous Surety Working Cover:	
Contract & Misc. Surety Surplus Share 81.50% Authorized 18.50% Unauthorized	$70,000,000 ultimate net loss each loss event in excess of $6,000,000, ultimate net loss each loss event.
Contract & Misc. Surety Excess of Loss 80.56% Authorized 19.44% Unauthorized	$11,500,000 ultimate net loss each loss event in excess of $3,500,000, ultimate net loss each loss event.
VI. Specialty Lines Working Cover:	
Boiler & Machinery:	
Quota Share 100% Authorized	100% quota share (of loss up to $50,000,000 on any one non-manufacturing, non-processing policy and $25,000,000 on any one manufacturing or processing policy) each occurrence.

In addition, the Company participates in aggregate excess of loss reinsurance agreements covering accident year 2000 losses and loss adjustment expenses. The first agreement provides stop loss protection on commercial lines only. It provides a limit of 17.5% of subject premium excess of 66% and 11.5% of subject premium excess of 83.5%. The second aggregate cover provides 2000 accident year stop loss protection above the former treaty, for all lines of business. It provides a limit of 15% of subject premium excess of 66%, with a maximum annual dollar limit of $125,000,000, ultimate net loss. The treaties are fully collateralized up to the recorded ceded loss and loss adjustment expense reserves through December 31, 2000 by funds held and letters of credit.

In addition, the Company participates in an aggregate excess of loss reinsurance agreement providing coverage for 85% of loss and loss adjustment expenses, including certain uncollectible reinsurance, up to a limit of $233,750,000 excess of the retention, for losses occurring in accident years 1992 and prior. This agreement is at the holding company level; therefore, deficiencies and redundancies of the companies that comprise the Crum & Forster Holdings, Inc. business units are combined to determine the net cession to the reinsurer.

It was noted that Crum & Forster Holdings, Inc. acting solely on behalf of the Company entered into a similar aggregate excess of loss reinsurance agreement effective August 13, 1998. This agreement provides coverage for 100% of the first $75 million in aggregate ultimate net losses above the aggregate retention and 90% of aggregate ultimate net losses in excess of $75 million above the aggregate retention, up to $400 million. This agreement covers losses occurring in accident years on and prior to August 13, 1998.

The above mentioned agreements fall within the definition of a loss portfolio transfer as contained in Department Regulation 108 and the Company has applied the accounting and reporting procedures required by such regulation.

D. Holding Company System

Fairfax Financial Holdings Limited is the ultimate parent in the holding company system. Members of the holding company system are detailed in the Holding Company - Organizational Chart, appended to this report. No person beneficially owns more than 10% of the presently issued and outstanding shares of Fairfax Financial Holdings Limited.

Fairfax Financial Holdings Limited owns 100% of the stock of Odyssey Re Holding Ltd., which owns 100% of the stock of Odyssey Re Group Ltd., which owns 100% of the stock of Fairfax Inc., which owns 100% of the stock of Crum & Forster Holdings, Inc., which owns 100% of the stock of the Company.

Attached hereto as Appendix "A" is a complete listing of all the subsidiaries of Fairfax Financial Holdings Limited.

Crum & Forster Indemnity Company became a controlled insurer of Fairfax Financial Holdings Limited on August 13, 1998, through its wholly-owned subsidiary of Crum and Forster Holdings, Inc.

A review was made of the filings made by the Company, as registrant, pursuant to the requirements of Article 15 of the New York Insurance Law and Department Regulation No. 52. The filings were made timely.

(1) Tax Allocation Agreement

On December 15, 2000, the Company entered into a tax allocation agreement with its parent, Fairfax, Inc. A formal agreement was executed and submitted to the Department, pursuant to the Department's Circular Letter No. 33 (1979), describing the manner in which the federal income tax for all entities is allocated to each entity. The effective date for this agreement relates to all taxable years beginning on or after January 1, 2000.

As determined by this examination, the tax allocation agreement by, and between the Company and its parent, Fairfax, Inc. met the minimum guidelines set forth in Department Circular Letter No. 33 (1979).

(2) Administrative Services Agreement

On January 1, 1993, the Company entered into an administrative services agreement with its affiliate, United States Fire Insurance Company ("U.S. Fire"), which was approved by the Department as part of the blanket approval of the 1993 Restructuring Plan. Under the terms of the agreement, U.S. Fire agrees to provide, and the Company accepts certain underwriting and administrative services, including: underwriting advice and services, policy issuing and billing services, claims services, maintenance of company records, preparation and rendering of reports to any regulatory agency, collection of premiums, office accommodations, and paying of all operating expenses of the Company except those retained by the Company.

(3) Investment Administration Agreement

On August 13, 1998, the Company entered into an investment administration agreement with its parent, Fairfax Financial Holdings Limited, which was approved by the Department on May 20, 1999. Under the terms of the agreement, Fairfax Financial Holdings Limited agrees to provide investment administrative services, including computation of all regulatory figures, analysis and reconciliation of portfolios, yield review, and other tasks.

(4) Investment Management Agreement

On August 13, 1998, the Company entered into an investment management agreement with its affiliate, Hamblin Watsa Investment Counsel Ltd. ("Hamblin Watsa"), which was approved by the Department on August 18, 1998. Under the terms of the agreement, Hamblin Watsa agrees to manage on a continuous basis an investment account ("Account") in the Company's name and is authorized to take such action for the Account as Hamblin Watsa, in their sole discretion, may consider appropriate for the operation of the Account including, the power to buy, sell and exchange and otherwise deal in all securities, which may at any time form part of the Account.

(5) Services Agreement

On January 1, 2000, the Company entered into a services agreement with its affiliate, TIG Insurance Company ("TIG"), which was approved by the Department on December 22, 1999. Under the terms of the agreement, TIG agrees to provide, and the Company accepts certain services relating to the underwriting, issuance, and delivery of the Company's policies, produced by the Company's agents or agencies domiciled in the State of Hawaii and the handling of claims. Such services includes: underwriting advice and services, policy issuing and billing services, claims services, maintenance of company records, preparation and rendering of reports to any regulatory agency, collection of premiums, office accommodations, and paying of all operating expenses of the Company except those retained by the Company.

(6) Reinsurance Participation Agreement

On January 1, 2000, the Company entered into a reinsurance participation agreement with its affiliates, United States Fire Insurance Company, The North River Insurance Company, Crum & Forster

Insurance Company and Crum & Forster Underwriters Co. of Ohio, which was approved by the Department on August 31, 2000. Under the terms of the agreement, beginning in the year 2000, all underwriting operations of the pool participants are conducted by means of mutual reinsurance on the fixed percentages for each company. The agreement provides that U.S. Fire, acting as the lead company, assumes from the pool participants 100% of their premiums, losses, and other underwriting expenses, and in turn cedes to each pool participant its participating percentage of premiums, losses, dividends to policyholders and other underwriting expenses.

(7) Master Repurchase Agreement

On July 1, 2000, the Company entered into a master repurchase agreement with its parent, Fairfax Financial Holdings Limited, which was approved by the Department on October 5, 2000. Under the terms of the agreement, from time to time, the parties hereto may enter into transactions in which the Company agrees to transfer to Fairfax Financial Holdings Limited certain securities against the transfer of an amount equal to the fair market value of such securities on the date of transfer, such amount not to exceed $5,000,000 singly or, when combined with amounts then outstanding from any other transaction, in the aggregate by Fairfax Financial Holdings Limited to the Company. Fairfax Financial Holdings Limited agrees to transfer to the Company such securities on a date to be agreed by both parties and which shall be on or before December 31 of the year during which such transfer is made, against the transfer of funds by the Company.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2000 based upon the results of this examination:

Net premiums written in 2000 to surplus as regards policyholders	.75 to 1
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	88.31%
Premiums in course of collection to surplus as regards policyholders	7.79%

The above ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

The underwriting ratios presented below are on an earned/incurred basis and encompass the five-year period covered by this examination:

	Amounts	Ratios
Losses incurred and loss adjustment expenses incurred	$8,677,472	176.90%
Other underwriting expenses incurred	2,049,180	41.77%
Net underwriting gain (or loss)	(5,821,305)	(118.67%)
Premiums earned	$4,905,347	100.00%

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as determined by this examination as of December 31, 2000.

Assets	Ledger Assets	Non Ledger Assets	Not Admitted Assets	Net Admitted Assets
Bonds	$14,638,572			$14,638,572
Cash and short-term investments	13,710,667			13,710,667
Premiums and agents' balances in course of collection	650,778		$99,415	551,363
Premiums, agents' balances and installments booked but deferred and not yet due	825,405		17,867	807,538
Accrued retrospective premiums		$541,981	66,284	475,697
Reinsurance recoverable on loss and late payments	401,245			401,245
Electronic data processing equipment	116,463		100,917	15,546
Interest, dividends, real estate income due & accrued		324,870		324,870
Equities and deposits in pools and associations	88,798			88,798
Other assets non-admitted	68,085		68,085	
Loss experience refund receivable	199,980			199,980
Recoverable for insured deductibles	73,296			73,296
Loss and loss adjustment expenses paid but not charged		64,065		64,065
Third party administrator deposits	34,950			34,950
Supplemental individual retirement plan	7,245			7,245
Other assets	8,243		566	7,677
Prepaid assets	84,167		84,167	
Leasehold improvements	56,376		56,376	
Total Assets	$30,965,270	$930,916	$493,677	$31,402,509

Liabilities	Examination	Company	Surplus Increase (Decrease)
Losses and loss adjustment expenses	$24,799,783	$21,003,783	$(3,796,000)
Contingent commissions	57,982	57,982	
Other expenses	243,607	243,607	
Taxes, licenses and fees	214,261	214,261	
Unearned premiums	2,419,888	2,419,888	
Policyholder dividends declared and unpaid	57,551	57,551	
Funds held by company under reinsurance treaties	1,206,234	1,206,234	
Amounts withheld or retained for account of others	99,622	99,622	
Provision for reinsurance	123,937	123,937	
Payable to parent, subsidiaries and affiliates	590,798	590,798	
Reserve for uncollectible reinsurance	372,107	372,107	
Post retirement obligations	114,014	114,014	
Reserve for severance and leasehold obligations	39,300	39,300	
Provision for retroactive reinsurance	26,500	26,500	
Retroactive reinsurance reserve ceded	(1,956,286)	(1,956,286)	
Loss portfolio transfer	(2,337,500)	(2,337,500)	
Other liabilities & accounts payable	32,544	32,544	
Total Liabilities	$26,104,342	$22,308,342	$(3,796,000)
Surplus and Other Funds			
Special surplus from retroactive reinsurance	$3,543,786	$3,543,786	
Common capital stock	3,500,000	3,500,000	
Gross paid-in and contributed surplus	2,750,000	2,750,000	
Unassigned funds (surplus)	(4,495,619)	(699,619)	(3,796,000)
Surplus as regards policyholders	$5,298,167	$9,094,167	(3,796,000)
Total Liabilities, Surplus and Other Funds	$31,402,509	$31,402,509	

Note: The Internal Revenue Service has completed its audits of the consolidated tax returns filed on behalf of the Company through tax year 1992. All material adjustments, if any, made subsequent to the date of examination and arising from said audits, are reflected in the financial statements included in this report. Audits covering tax years 1993 to 1998 are currently under audit. Audits covering tax years 1999 and 2000 have yet to commence. Except for any impact, which might result from the examination changes contained in this report, the examiner is unaware of any potential exposure of the Company to any further tax assessment and no liability has been established herein relative to such contingency.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders decreased $2,909,278 during the five-year examination period, (January 1, 1996, through December 31, 2000), detailed as follows:

Statement of Income

Underwriting Income		
Premiums earned		$4,905,347
Deductions:		
Losses incurred and loss adjustment expenses incurred	$8,677,472	
Other underwriting expenses incurred	2,049,180	
Total underwriting deductions		10,642,403
Net underwriting gain or (loss)		$(5,821,305)
Investment Income		
Net investment income earned	$3,105,348	
Net realized capital gains or (losses)	(200)	
Net investment gain or (loss)		3,105,148
Other Income		
Finance and service charges	$ 485	
Goodwill amortization	(1,140,000)	
Fines and penalties	(6,965)	
Other income (expenses)	(35,899)	
Retroactive reinsurance ceded	1,108,820	
Uncollectible reinsurance expenses	(31,889)	
Total other income		(105,448)
Net income before dividends and federal income taxes		$(2,821,605)
Dividends to policyholders		75,320
Net income after dividends but before federal income taxes		$(2,896,925)
Federal income taxes incurred		508,239
Net income		$(3,405,164)

Capital and Surplus Account

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders, December 31, 1995, per report on examination			$8,207,445
Net income or (loss)		$3,405,164	
Change in non-admitted assets	646,323		
Change in provision for reinsurance		123,937	
Retroactive reinsurance reserve ceded		26,500	
Total gains and losses	$646,323	$3,555,601	
Net increase to surplus as regards policyholders			$(2,909,278)
Surplus as regards policyholders, December 31, 2000, per report on examination			$5,298,167

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability of $24,799,783 is $3,796,000 more than the $21,003,783, reported by the Company as of the examination date. The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company's internal records and in its filed annual statement.

The adequacy of the Company's loss and loss adjustment expense reserves were based upon a review of claims files and disbursements made from January 1, 2001 through March 30, 2002. This fifteen month development gave consideration to reinsurance recoveries, salvage and subrogation whenever applicable.

The examination increase does not reflect the benefit of an aggregate stop-loss agreement that was in effect as of the examination date. Additionally, subsequent to the examination date, the Company entered into another aggregate stop-loss agreement with an authorized insurer covering losses for accident years 2000 and prior. While coverage was available to offset the examination increase to loss and loss adjustment expenses reserves, the first agreement was with an unauthorized reinsurer, and the Company had not obtained sufficient collateral from the reinsurers until after the examination date to allow credit in this report for any additional cessions. Thus, the development noted herein was offset by reinsurance coverage and/or collateral obtained subsequent to the date of determination.

5. MARKET CONDUCT ACTIVITIES

In the course of this examination, a review was made of the manner in which the Company conducts its business and fulfills its contractual obligations to policyholders and claimants. The review was general in nature and is not to be construed to encompass the more precise scope of a market conduct investigation, which is the responsibility of the Market Conduct Unit of the Department's Property Bureau.

The general review was directed at practices of the Company in the following major areas:

1) Sales and advertising
2) Underwriting
3) Rating
4) Treatment of policyholders and claimants

No problem areas were encountered.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

A review was made into the actions taken by the Company with regards to the comments and recommendations contained in the prior report on examination. The item letters and page numbers shown below refer to that of the prior report.

ITEM		PAGE NO.
A.	Holding Company System	
	During the examination of the Company it was noted that the General Services Agreement was amended as of January 1, 1993 between Crum & Forster Indemnity Company and Talegen Holdings, Inc. Under this agreement Crum & Forster Indemnity Company is being charged expenses for underwriting through Talegen Holdings, Inc. Since the Company cedes 100% of its business to United States Fire, an affiliate, and is not charging any ceding commission, it appears that these charges are not warranted.	8
	It is recommended that Talegen Holdings, Inc. discontinue this practice and reimburse the Company for the expenses charged.	
	The Company has complied with this recommendation. The Company had discontinued allocating management fees as of the second quarter of 1997, subsequent to the receipt of the 1995 report on examination in April of 1997. Any expenses charged in 1997 were reversed. However, the Company was unable to provide documentation that expenses paid previously were reimbursed by Talegen Holdings, Inc.	
B.	Acquisition and Merger	
	Prior to the acquisition and merger between the Finmar Reinsurance Corporation and Premier Insurance Company with Finmar Reinsurance Corporation becoming the survivor and changing its name to Crum & Forster Indemnity Company, it was noted that the Company reported a dividend paid in the Underwriting and Investment Exhibit, Statement of Income, on Page 4, Annual Statement, for $784,567. This gives the appearance that this was paid by Crum & Forster Indemnity Company, when in fact the dividends were paid by the former companies, Premier and Finmar.	10

ITEM	PAGE NO.
It is recommended that a footnote be added to the annual statement with an explanation of the reason that the dividends were paid by the acquired companies to satisfy the prior stockholders of the prior companies.	10
The Company has not complied with this recommendation. A review of the annual statements revealed that such footnote was never inserted to provide an explanation of the dividends that was paid out by the former companies, Premier and Finmar. However, as determined by this examination, this recommendation is no longer warranted.	
It is also recommended that a footnote be inserted in the Annual and Quarterly Statements that will explain the Dividend Commitment and that the Company needs the Superintendent's prior approval for any dividends to be paid, for the period of two years from the date of acquisition.	10
The Company has complied with this recommendation. The Company had disclosed in Note 7a of the 1996 Annual Statement that the Company would pay no dividends for a period of two years from the date of acquisition without the prior approval of the Insurance Department.	

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no comments or recommendations in this report.

APPENDIX "A"

SUBSIDIARIES OF FAIRFAX FINANCIAL HOLDINGS LIMITED

The following table sets forth subsidiaries of Fairfax Financial Holdings Limited, together with the jurisdiction of domicile of each and the percentage of voting securities owned as of December 31, 2000. Unless otherwise indicated, all of the persons included in the table are corporations, the voting securities of which are directly owned by Fairfax Financial Holdings Limited.

Name of Subsidiary	Jurisdiction of Incorporation	Percentage of Voting Securities Owned
Primex Adjusters Limited	Canada	100
Federated Insurance Holdings of Canada Ltd.	Canada	100
Federated Insurance Company of Canada	Canada	100
Federated Life Insurance Company of Canada	Canada	100
Contact + Insurance Network Ltd.	Canada	100
Les Courtiers d'Assurance Carrefours ltee	Quebec	100
Lombard Canada Ltd.	Canada	100
Lombard General Insurance Company of Canada	Canada	100
Lombard Insurance Company	Canada	100
Zenith Insurance Company	Canada	100
Zenith Insurance Services Inc.	Canada	41
CRC (Bermuda) Reinsurance Limited	Bermuda	100
Fairfax (Barbados) Insurance Corp.	Barbados	100
Markel Insurance Company of Canada	Canada	100
Proco Transportation Services Inc.	Ontario	100
Markel Professional Transport Training Inc.		100
Hamblin Watsa Investment Counsel Ltd.	Canada	100
Aegis Financial Systems Inc.	Ontario	100
Faircross Holdings Corporation	Ontario	100
Fairbridge Inc.	Ontario	100
Fairfax Realty Inc.	Ontario	100
Village Central Investments Inc.	Ontario	100
Odyssey Re Holdings Ltd.	Canada	100
Odyssey Re Group Ltd.	Canada	100
Odyssey Reinsurance Company of Canada	Canada	100
Fairfax Liquidity Management Hungary Limited Liability Company	Hungary	100
Fairfax Inc.	Wyoming	100
Fairfax Holdings Inc.	Connecticut	100
ORC Re Limited	Ireland	100
Odyssey Reinsurance Group B.V.	Holland	100
906447 Alberta Ltd.	Ontario	100
903079 Alberta Ltd.	Alberta	100
903083 Alberta Ltd.	Alberta	100
The Hub Group Limited	Ontario	43.5 (1)
Fairfax Inc.	Wyoming	100
Crum & Forster Holdings, Inc.	Delaware	100
United States Fire Insurance Company	New York	100

Name of Subsidiary	Jurisdiction of Incorporation	Percentage of Voting Securities Owned
Crum & Forster Specialty Insurance Company		100
Zenith National Insurance Corporation		39.80 (8)
TRG Holding Corporation		100 (3)
The North River Insurance Company	New Jersey	100
Sen-Tech International Holdings, Inc.	Delaware	100
Excelsior Claims Administrators, Inc.	New York	100
ARISE (29% Sen-Tech International, 1% Seneca Insurance Co)	Ohio	100
Seneca Insurance Company, Inc.	New York	100
Seneca Risk Services, Inc.	Kentucky	100
Seneca Specialty Insurance Company, Inc.	Arizona	100
Crum and Forster Insurance Company	New Jersey	100
Crum & Forster Underwriters Co. of Ohio	Ohio	100
Crum & Forster Indemnity Company	New York	100
Crum & Forster Custom Securities, Inc.	California	100
Odyssey Re Holdings Inc. (2.5%)	Delaware	
Odyssey America Reinsurance Corporation	Connecticut	100 (7)
RiverStone Group LLC	Delaware	100
RiverStone Resources LLC	Delaware	100
RiverStone Claims Management LLC	Delaware	100
RiverStone Reinsurance Services LLC	Delaware	100
TIG Holdings, Inc.	Delaware	100
Fairfax Holdings Inc.	Connecticut	100
The Standard Group, Inc.	Texas	100
Standard Managing General Agency, Inc.	Texas	100
Crum & Forster Solutions for Business, Inc.	Delaware	100
Ranger Reinsurance Management Incorporated	Delaware	100
Fairfax Information Technology Services, Inc.	Delaware	100
Springhill Agency	New York	100
ORC Re Limited	Ireland	100
ORC FISI BV	Holland	100
Fairfax Insurance Services Inc.	Ontario	100
Lindsey Morden Group Inc.	Canada	84.9
Lindsey Morden (Barbados) Limited	Barbados	100
Cunningham Lindsey Canada Limited	Canada	100
Lindsey Morden Acquisitions	United Kingdom	99.9
Lindsey Morden Limited	United Kingdom	99.999
Cunningham Group Overseas Limited	United Kingdom	100
Cunningham Lindsey Europe B.V.	Holland	100 (9)
Cunningham Lindsey Marine Limited		100
Cunningham IAP Ltd. ... (9)	United Kingdom	100
Cunningham Lindsey International Ltd.		100
Ellis & Buckle Holdings Limited	United Kingdom	100
Cunningham Ellis & Buckle	United Kingdom	100
Cunningham UK Limited (dormant)		100 (9)
Lindsey Morden Claim Services (Holdings) Limited	United Kingdom	100

Name of Subsidiary	Jurisdiction of Incorporation	Percentage of Voting Securities Owned
Lindsey Morden Claim Services (UK) Ltd. (dormant)	United Kingdom	100
Cunningham Lindsey U.S., Inc.	Texas	100
Cunningham Lindsey Claims Management, Inc.	Delaware	100
Vale National Training Center, Inc.	Texas	100
CorpWings, Inc.	Delaware	100
Claims International (Holdings) Limited	United Kingdom	100
Claims International Limited	United Kingdom	100
Card Claims International Limited (dormant)	United Kingdom	100
Odyssey Reinsurance Group B.V.	Holland	100
FFH Financial Holding S.A.	Luxembourg	100
FAIRFIN FINANCIAL B.V.	Holland	100
Compagnie Transcontinentale de Réassurance Holding S.A.S.	France	100
Compagnie Transcontinentale de Réassurance	France	100
Compagnie Transcontinentale de Réassurance branch	Singapore	100
Compagnie Transcontinentale de Réassurance Investissements S.A.S.	France	100
RiverStone Holdings Limited	United Kingdom	100
Sphere Drake Insurance Limited	United Kingdom	100
RiverStone Management Limited	United Kingdom	100
Sphere Drake Underwriting Management (Australia) Limited	Australia	100
Sphere Drake Nominees Limited	United Kingdom	100
Odyssey Re Corporate Capital Vehicle Limited	United Kingdom	100
Odyssey Re Leasing Limited	United Kingdom	100
Sphere Drake Acquisitions (U.K.) Limited	United Kingdom	100
Sphere Drake Insurance Group Public Limited Company	United Kingdom	90.18
Sphere Drake Holding (U.K.) Public Limited Company	United Kingdom	100
RiverStone Insurance (UK) Limited	United Kingdom	100
FFH Financial Holding A.G.	Switzerland	100
Odyssey Re (Bermuda) Holding Limited	Bermuda	100
Odyssey Re (Bermuda) Limited	Bermuda	100
Odyssey Re (Bermuda) Management Limited	Bermuda	100
Wentworth Insurance Company Ltd.	Barbados	100
Falcon Insurance Company Limited	Hong Kong	100
Falcon South East Asia Limited	Hong Kong	100
Odyssey Re Stockholm Management Aktiebolag	Sweden	100
O.R.G. Sweden Holdings Aktiebolag	Sweden	100
Odyssey Re (Stockholm) Insurance Corporation (public)	Sweden	100
ORG Re (UK) Limited	United Kingdom	100
TIG Holdings 1, Inc.	Delaware	100
TIG Holdings 2, Inc.	Delaware	100
TIG Bermuda Ltd.	Bermuda	100
TIG Insurance Group	California	100
TIG Insurance Company	California	100
TIG Premier Insurance Company	California	100
TIG Indemnity Company	California	100
Fairmont Insurance Company	California	100

Name of Subsidiary	Jurisdiction of Incorporation	Percentage of Voting Securities Owned
TIG Insurance Company of Michigan	Michigan	100
TIG Insurance Corporation of America	Michigan	100
TIG Insurance Company of New York	New York	100
TIG Insurance Company of Texas	Texas	100
TIG Lloyds Insurance Company	Texas	100 (6)
TIG American Specialty Insurance Company	Texas	100
TIG Specialty Insurance Company	California	100
TIG Insurance Company of Colorado	Colorado	100
Countrywide Corporation	Texas	100
Industrial County Mutual Insurance Company	Texas	100 (2)
TIG Holdings 4, Inc.	Delaware	100
Commonwealth Insurance Company	Canada	100
Commonwealth Insurance Company of America	Washington	100
Ranger Insurance Company	Delaware	100
Ranger Insurance Managers, Inc.	Texas	100
Ranger Insurance Finance Company	Texas	100
Ranger Managers Corp.	Texas	100
Ranger Lloyds (an incorporated association)	Texas	100 (5)
Odyssey America Reinsurance Corporation	Connecticut	100 (7)
Odyssey Reinsurance Corporation	Delaware	100
Hudson Insurance Company	Delaware	100
TRG Holding Corporation (47.42%) (3)	Delaware	
The Resolution Group, Inc.	Delaware	100
Envision Claims Management Corporation	New Jersey	100
International Insurance Company	Illinois	100
Resolution Reinsurance Services Corporation	Delaware	100
St. John's Insurance Company Limited	Bermuda	100
TIG Re UK Holdings Corporation	Delaware	100
Newline Holdings UK Limited	United Kingdom	100
Newline Underwriting Management Limited	United Kingdom	100
Newline Corporate Name Limited	United Kingdom	100
Newline Underwriting Limited	United Kingdom	100
TIG Holdings 5, Inc.	Delaware	100
TIG Latin America Inc.	Delaware	100
TIG Servicios Limitada	Chile	100 (4)
Odyssey Re Holdings Inc.	Delaware	97.5
Innovus Integrated Benefits Srvcs. L.L.C. (50%)	California	100
Indemni-Med LLC. (70% Economics)	Delaware	100
Perma-Bilt	Nevada	100
Zenith National Insurance Capital Trust	Delaware	100
Zenith Development Corp.	Nevada	100
Zenith Insurance Company	California	100
Znat Insurance Company	California	100
Zenith Star Insurance Company	Texas	100
Calrehab Services, Inc.	California	100

Name of Subsidiary	Jurisdiction of Incorporation	Percentage of Voting Securities Owned
Zenith Risk Management Inc.	Florida	100
1390 Main Street LLC	Delaware	100
Zenith Insurance Management Services Inc.	Florida	100

NOTES:

(1) Not a Fairfax subsidiary

(2) Managed by Countrywide under exclusive General Agency Contract

(3) Fairfax ownership of TRG Holding Corporation Class I Common Stock is 100%:
Odyssey Re Corporation (47.42%), ORC Re Limited (47.42%) and United States Fire Insurance Company (5.15%). Class II non-voting stock ownership: Xerox Financial Services, Inc. (96.62%); issued or reserved for grants pursuant to the Class II stock plan (3.38%).

(4) Fairfax ownership of TIG Servicios Limitada is 100%:
TIG Latin America Inc. (90%) and TIG Holdings 5, Inc. (10%)

(5) Financed and controlled by Ranger Managers Corp.: Lloyds participants have assigned their rights and privileges to Ranger Managers Corp., which also holds the management contract

(6) Countrywide is Attorney-in-Fact pursuant to Powers of Attorney

(7) Fairfax ownership of Odyssey America Reinsurance Corporation is 100%:
TIG Insurance Company (80%), Odyssey Re Holdings Inc. (20%) – TIG owns 97.5% of Odyssey Re Holdings Inc. for an effective 99.5% interest in Odyssey America Reinsurance Corporation.

(8) Companies in the Fairfax group hold shares in Zenith National Insurance Corporation as portfolio investments. In total the company owns 39.8%. The size of the holdings may change and this chart may not be updated to reflect all changes. The Fairfax investment includes United States Fire Insurance Company and TIG Insurance Company each holding 19.2% of the shares of Zenith National, and Odyssey Reinsurance Corporation, Odyssey America Reinsurance Corporation and North River Insurance Company holding 0.9%, 0.4% and 0.1% respectively.

(9) Subsidiaries are not listed. Please request list.

Respectfully submitted,

__________/S/____________________
Jimmie Newsome
Senior Insurance Examiner

STATE OF NEW JERSEY)
) SS.
)
MORRIS COUNTY)

<u>JIMMIE NEWSOME</u>, being duly sworn, deposes and says that the foregoing report submitted by him is true to the best of his knowledge and belief.

____________/S/______________
Jimmie Newsome

Subscribed and sworn to before me

this _____ day of _________ 2003.

Appointment No. 21730

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, GREGORY V. SERIO, *Acting Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

Jimmie Newsome

as proper person to examine into the affairs of the

CRUM & FORSTER INDEMNITY COMPANY

and to make a report to me in writing of the condition of the said

Company

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by the name and affixed the official Seal of this Department, at the City of New York.

this 1st *day of* May 2001

GREGORY V. SERIO
Acting Superintendent of Insurance