FAIRFAX

FINANCIAL HOLDINGS LIMITED

2022 Annual Report

GUIDING PRINCIPLES FOR FAIRFAX FINANCIAL HOLDINGS LIMITED

OBJECTIVES:

1) We expect to compound our mark-to-market book value per share over the long term by 15% annually by running Fairfax and its subsidiaries for the long term benefit of customers, employees, shareholders and the communities where we operate – at the expense of short term profits if necessary.

2) Our focus is long term growth in book value per share and not quarterly earnings. We plan to grow through internal means as well as through friendly acquisitions.

3) We always want to be soundly financed.

4) We provide complete disclosure annually to our shareholders.

STRUCTURE:

1) Our companies are decentralized and run by the presidents except for performance evaluation, succession planning, acquisitions, financing and investments, which are done by or with Fairfax. Investing will always be conducted based on a long term value-oriented philosophy. Cooperation among companies is encouraged to the benefit of Fairfax in total.

2) Complete and open communication between Fairfax and subsidiaries is an essential requirement at Fairfax.

3) Share ownership and large incentives are encouraged across the Group.

4) Fairfax will always be a very small holding company and not an operating company.

VALUES:

1) Honesty and integrity are essential in all our relationships and will never be compromised.

2) We are results oriented – not political.

3) We are team players – no “egos”. A confrontational style is not appropriate. We value loyalty – to Fairfax and our colleagues.

4) We are hard working but not at the expense of our families.

5) We always look at opportunities but emphasize downside protection and look for ways to minimize loss of capital.

6) We are entrepreneurial. We encourage calculated risk taking. It is all right to fail but we should learn from our mistakes.

7) We will never bet the company on any project or acquisition.

8) We believe in having fun – at work!

FAIRFAX
FINANCIAL HOLDINGS LIMITED

2022 Annual Report

Fairfax Corporate Performance

(in US$ millions, except as otherwise indicated)[(1)]

As at and for the years ended December 31[(4)]	Book value per share[(2)]	Closing share price[(1)]	Revenue	Net earnings (loss)	Total assets	Invest-ments	Net debt[(3)]	Common share-holders' equity	Shares out-standing	Earnings (loss) per share
1985	1.52	3.25[(5)]	12.2	(0.6)	30.4	23.9	–	7.6	5.0	(1.35)
1986	4.25	12.75	38.9	4.7	93.4	68.8	3.7	29.7	7.0	0.98
1987	6.30	12.37	86.9	12.3	139.8	93.5	4.9	46.0	7.3	1.72
1988	8.26	15.00	112.0	12.1	200.6	111.7	27.3	60.3	7.3	1.63
1989	10.50	18.75	108.6	14.4	209.5	113.1	21.9	76.7	7.3	1.87
1990	14.84	11.00	167.0	18.2	461.9	289.3	83.3	81.6	5.5	2.42
1991	18.38	21.25	217.4	19.6	447.0	295.3	58.0	101.1	5.5	3.34
1992	18.55	25.00	237.0	8.3	464.6	311.7	69.4	113.1	6.1	1.44
1993	26.39	61.25	266.7	25.8	906.6	641.1	118.7	211.1	8.0	4.19
1994	31.06	67.00	464.8	27.9	1,549.3	1,105.9	166.3	279.6	9.0	3.41
1995	38.89	98.00	837.0	63.9	2,104.8	1,221.9	175.7	346.1	8.9	7.15
1996	63.31	290.00	1,082.3	110.6	4,216.0	2,520.4	281.6	664.7	10.5	11.26
1997	86.28	320.00	1,507.7	152.1	7,148.9	4,054.1	369.7	960.5	11.1	14.12
1998	112.49	540.00	2,469.0	280.3	13,640.1	7,867.8	830.0	1,364.8	12.1	23.60
1999	155.55	245.50	3,905.9	42.6	22,229.3	12,289.7	1,248.5	2,088.5	13.4	3.20
2000	148.14	228.50	4,157.2	75.5	21,667.8	10,399.6	1,251.5	1,940.8	13.1	5.04
2001	117.03	164.00	3,953.2	(406.5)	22,183.8	10,228.8	1,194.1	1,679.5	14.4	(31.93)
2002	125.25	121.11	5,104.7	252.8	22,173.2	10,596.5	1,602.8	1,760.4	14.1	17.49
2003	163.70	226.11	5,731.2	288.6	24,877.1	12,491.2	1,961.1	2,264.6	13.8	19.51
2004	162.76	202.24	5,829.7	53.1	26,271.2	13,460.6	1,965.9	2,605.7	16.0	3.11
2005	137.50	168.00	5,900.5	(446.6)	27,542.0	14,869.4	1,984.0	2,448.2	17.8	(27.75)
2006	150.16	231.67	6,803.7	227.5	26,576.5	16,819.7	1,613.6	2,662.4	17.7	11.92
2007	230.01	287.00	7,510.2	1,095.8	27,941.8	19,000.7	1,207.4	4,063.5	17.7	58.38
2008	278.28	390.00	7,825.6	1,473.8	27,305.4	19,949.8	412.5	4,866.3	17.5	79.53
2009	369.80	410.00	6,635.6	856.8	28,452.0	21,273.0	1,071.1	7,391.8	20.0	43.75
2010	376.33	408.99	5,967.3	335.8	31,448.1	23,300.0	1,254.9	7,697.9	20.5	14.82
2011	364.55	437.01	7,475.0	45.1	33,406.9	24,322.5	2,055.7	7,427.9	20.4	(0.31)
2012	378.10	358.55	8,022.8	526.9	36,945.4	26,094.2	1,920.6	7,654.7	20.2	22.68
2013	339.00	424.11	5,944.9	(573.4)	35,999.0	24,861.6	1,752.9	7,186.7	21.2	(31.15)
2014	394.83	608.78	10,017.9	1,633.2	36,131.2	26,192.7	1,966.3	8,361.0	21.2	73.01
2015	403.01	656.91	9,580.4	567.7	41,529.0	29,016.1	2,075.6	8,952.5	22.2	23.15
2016	367.40	648.50	9,299.6	(512.5)	43,384.4	28,430.7	3,438.2	8,484.6	23.1	(24.18)
2017	449.55	669.34	16,224.6	1,740.6	64,090.1	39,255.4	4,057.2	12,475.6	27.8	64.98
2018	432.46	600.98	17,757.7	376.0	64,372.1	38,840.6	4,929.8	11,779.3	27.2	11.65
2019	486.10	609.74	21,532.8	2,004.1	70,508.5	39,004.6	6,257.4	13,042.6	26.8	69.79
2020	478.33	433.85	19,794.9	218.4	74,054.0	43,171.4	7,584.6	12,521.1	26.2	6.29
2021	630.60	622.24	26,467.9	3,401.1	86,645.4	53,022.8	6,306.8	15,049.6	23.9	122.25
2022	657.68	802.07	28,050.0	1,147.2	92,125.1	55,477.7	7,298.5	15,340.7	23.3	43.49
Compound annual growth	17.8%	16.1%								

(1) *All share references are to common shares; Closing share price is in Canadian dollars; Per share amounts are in US dollars; Shares outstanding are in millions.*

(2) *Calculated as common shareholders' equity divided by common shares effectively outstanding.*

(3) *Calculated as total debt less holding company cash and investments (net of derivative obligations).*

(4) *IFRS basis for 2010 to 2022; Canadian GAAP basis for 2009 and prior. Under Canadian GAAP, investments were generally carried at cost or amortized cost in 2006 and prior.*

(5) *When current management took over in September 1985.*

Corporate Profile

Fairfax Financial Holdings Limited is a holding company whose corporate objective is to build long term shareholder value by achieving a high rate of compound growth in book value per share over the long term. The company has been under present management since September 1985.

Property and Casualty Insurance and Reinsurance

North American Insurers

Northbridge Financial, based in Toronto, Canada, provides property and casualty insurance products in the Canadian market through its Northbridge and Federated subsidiaries. It is one of the largest commercial property and casualty insurers in Canada based on gross premiums written. In 2022, Northbridge's net premiums written were Cdn$2,679.3 million (approximately US$2,059 million). At year-end, the company had statutory equity of Cdn$2,255.4 million (approximately US$1,665 million) and there were 1,780 employees.

Crum & Forster, based in Morristown, New Jersey, is a national commercial property and casualty insurance company in the United States writing a broad range of commercial, principally specialty, coverages. In 2022, Crum & Forster's net premiums written were US$3,658.4 million. At year-end, the company had statutory surplus of US$2,045.8 million and there were 2,331 employees.

Zenith National, based in Woodland Hills, California, is primarily engaged in the workers compensation insurance business in the United States. In 2022, Zenith National's net premiums written were US$739.9 million. At year-end, the company had statutory surplus of US$708.8 million and there were 1,445 employees.

Global Insurers and Reinsurers

Odyssey Group, based in Stamford, Connecticut, underwrites treaty and facultative reinsurance and specialty insurance, with principal locations in the United States, Toronto, London, Paris, Singapore and Latin America. In 2022, Odyssey Group's net premiums written were US$5,908.0 million. At year-end, the company had shareholders' equity of US$5,468.0 million and there were 1,340 employees.

Brit, based in London, England, is a market-leading global Lloyd's of London specialty insurer and reinsurer. In 2022, Brit's net premiums written were US$3,142.2 million. At year-end, the company had shareholders' equity of US$1,768.3 million and there were 969 employees.

Allied World, based in Pembroke, Bermuda, provides property, casualty and specialty insurance and reinsurance solutions, with principal locations in the United States, Bermuda, London, Singapore and Canada. In 2022, Allied World's net premiums written were US$4,456.1 million. At year-end, the company had shareholders' equity of US$4,594.7 million and there were 1,550 employees.

International Insurers and Reinsurers

Group Re primarily constitutes the participation by CRC Re, Wentworth and Connemara (all based in Barbados) in the reinsurance of Fairfax's subsidiaries by quota share or through participation in those subsidiaries' third party reinsurance programs on the same terms and pricing as third party reinsurers. Group Re also writes third party business. In 2022, Group Re's net premiums written were US$452.0 million. At year-end, the Group Re companies had combined shareholders' equity of US$582.2 million.

Bryte Insurance, based in South Africa, writes property and casualty insurance in South Africa and Botswana. In 2022, Bryte Insurance's net premiums written were ZAR 4.5 billion (approximately US$274 million). At year-end, the company had shareholders' equity of ZAR 2,559.0 million (approximately US$150 million) and there were 805 employees.

Eurolife General, based in Greece, writes general insurance in Greece and Romania. In 2022, Eurolife General's net premiums written were €56.6 million (approximately US$60 million). At year-end, the company had shareholders' equity of €65.5 million (approximately US$70 million) and there were 232 employees.

Fairfax Asia

Falcon Insurance, based in Hong Kong, writes property and casualty insurance in niche markets in Hong Kong. In 2022, Falcon's net premiums written were HKD 596.5 million (approximately US$76 million). At year-end, the company had shareholders' equity of HKD 751.8 million (approximately US$96 million) and there were 63 employees.

Pacific Insurance, based in Malaysia, writes all classes of general insurance and medical insurance in Malaysia. In 2022, Pacific's net premiums written were MYR 378.9 million (approximately US$86 million). At year-end, the company had shareholders' equity of MYR 512.3 million (approximately US$116 million) and there were 433 employees.

AMAG Insurance, based in Indonesia, writes all classes of general insurance in Indonesia. In 2022, AMAG's net premiums written were IDR 819.2 billion (approximately US$55 million). At year-end, the company had shareholders' equity of IDR 2,822.4 billion (approximately US$181 million) and there were 752 employees.

Fairfirst Insurance, based in Sri Lanka, writes general insurance in Sri Lanka, specializing in automobile and personal accident lines of business. In 2022, Fairfirst's net premiums written were LKR 9,037.5 million (approximately US$29 million). At year-end, the company had shareholders' equity of LKR 7,574.8 million (approximately US$21 million) and there were 954 employees.

Singapore Re, based in Singapore, underwrites general property and casualty reinsurance in the Asian region. In 2022, Singapore Re's net premiums written were SGD 108.9 million (approximately US$79 million). At year-end, the company had shareholders' equity of SGD 282.9 million (approximately US$211 million) and there were 68 employees.

Fairfax Central and Eastern Europe

Colonnade Insurance, based in Luxembourg, writes general insurance through its branches in the Czech Republic, Hungary, Slovakia, Bulgaria, Poland and Romania and through its Ukrainian insurance company. In 2022, Colonnade Insurance's net premiums written were US$189.1 million. At year-end, the company had shareholders' equity of US$131.1 million and there were 605 employees.

Polish Re, based in Warsaw, writes reinsurance in the Central and Eastern European regions. In 2022, Polish Re's net premiums written were PLN 572.3 million (approximately US$129 million). At year-end, the company had shareholders' equity of PLN 339.2 million (approximately US$77 million) and there were 50 employees.

Fairfax Ukraine, which comprises ARX Insurance and Universalna, primarily writes property and casualty insurance in Ukraine. In 2022, Fairfax Ukraine's net premiums written were UAH 4,177.8 million (approximately US$130 million). At year-end, the company had shareholders' equity of UAH 2,372.4 million (approximately US$64 million) and there were 1,048 employees.

Fairfax Latin America

Fairfax Brasil, based in São Paulo, writes general insurance in Brazil. In 2022, Fairfax Brasil's net premiums written were BRL 669.6 million (approximately US$130 million). At year-end, the company had shareholders' equity of BRL 910.7 million (approximately US$173 million) and there were 269 employees.

Fairfax Latam, based in Miami, writes property and casualty insurance through its operating companies in Chile, Colombia, Argentina and Uruguay. In 2022, Fairfax Latam's net premiums written were US$274.5 million. At year-end, the company had shareholders' equity of US$135.7 million and there were 985 employees.

Life Insurance and Run-off

Eurolife, based in Greece, writes primarily life insurance in Greece and Romania. In 2022, Eurolife's net premiums written were €326.9 million (approximately US$344 million). At year-end, the company had shareholders' equity of €368.5 million (approximately US$393 million) and there were 214 employees.

The Resolution Group (TRG), based in Manchester, New Hampshire, manages run-off businesses in the U.S. under the RiverStone name. At year-end, TRG/RiverStone had shareholders' equity of US$404.9 million and there were 350 employees.

Other

Fairfax India Holdings is a Toronto Stock Exchange-listed investment holding company whose objective is to achieve long term capital appreciation, while preserving capital, by investing in public and private equity securities and debt instruments in India and Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India. At year-end, the company had shareholders' equity of US$1,491.2 million.

Hamblin Watsa Investment Counsel, founded in 1984 and based in Toronto, provides investment management to the insurance, reinsurance and run-off subsidiaries of Fairfax.

Notes:

(1) All of the above companies are wholly owned except for 90.0%-owned Odyssey Group, 86.2%-owned Brit, 82.9%-owned Allied World, 85.0%-owned Pacific Insurance, 78.0%-owned Fairfirst Insurance, 80.3%-owned AMAG Insurance, 70.0%-owned Fairfax Ukraine, 80.0%-owned Eurolife and Eurolife General, and Fairfax India Holdings (94.4% voting control, 34.7%-owned).

(2) The foregoing lists all of Fairfax's operating subsidiaries (many of which operate through their own operating structure, primarily involving wholly-owned operating subsidiaries). The Fairfax corporate structure also includes a 43.7% interest in Gulf Insurance (a Kuwait company with property and casualty insurance operations in the MENA region), a 47.1% interest in Thai Re (a Thai reinsurance and insurance company), a 15.0% interest in Alltrust Insurance (a Chinese property and casualty insurance company), a 35.0% interest in BIC Insurance (a Vietnamese property and casualty insurance company), a 41.2% interest in Falcon Insurance (Thailand), a 45.3% interest in Digit (a digital insurance company in India) and a 7.3% interest in Africa Re as well as investments in a number of non-insurance-related companies. The other companies in the Fairfax corporate structure, which include a number of intermediate holding companies, have no insurance, reinsurance, run-off or other operations.

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To our Shareholders:

We had an outstanding year in 2022 as our gross premiums increased by 16% to $27.6 billion[1] while our interest and dividend income increased significantly, due largely to rising interest rates, from an annual run rate of $530 million at the end of 2021 to a current annual run rate of approximately $1.5 billion. And we were one of the few insurance companies in the world to have an increase in book value per share (up 6%) in 2022 while most of our competitors had a 10% – 30% decrease in book value per share, mainly due to the effect of rising interest rates on their fixed income portfolio. Years of refusing to reach for yield by going long duration paid off for us in 2022, as 50% of our investment portfolio was in cash and treasury bills at the end of 2021. And our stock price increased in 2022 by 29%!

Since we began in 1985, 37 years ago, our book value per share has compounded at 18.5% (including dividends) annually while our common stock price has compounded at 17.3% (including dividends) annually.

Fairfax has been transformed in the last five years. We have become one of the largest property and casualty companies in the world with $27.6 billion in gross premiums written, all operating in a decentralized structure with outstanding management focused on disciplined underwriting.

The table below shows our growth since 2017, after we had purchased Allied World and in the midst of a hard market in insurance that began in 2019:

	Gross Premiums Written			**Average**
	2017	**2022**	**% change**	**Combined Ratio**
	($ billions)			
Northbridge	1.2	2.3	95%	92%
Odyssey Group	2.7	6.6	141%	96%
Crum & Forster	2.1	4.6	116%	97%
Brit	2.0	4.0	93%	102%
Allied World	3.1	6.5	110%	94%
Total	13.8	27.6	99%	96%

The table below shows you how our significant increases in gross premiums written have resulted in a significant increase in our float and in our investment portfolio. This is magnified on a per share basis as a result of the reduction in our outstanding shares through share buybacks which have reduced our shares outstanding by 16% over the last five years, from 27.8 million at the end of 2017 to 23.3 million at the end of 2022:

	2017	**2022**	**% Change**
Shares outstanding	27.8	23.3	-16%
	($ billions)		
Gross premiums	13.8	27.6	99%
Float	22.9	31.2	36%
Investment portfolio	39.3	55.5	41%
Common shareholders' equity	12.5	15.3	23%
Per Share	*($)*		
Gross premiums	499	1,182	137%
Float	826	1,339	62%
Investment portfolio	1,415	2,378	68%
Common shareholders' equity	450	658	46%

1 *Amounts in this letter are in U.S. dollars unless specified otherwise. Numbers in the tables in this letter are in U.S. dollars and $millions except as otherwise indicated. Some numbers may not add due to rounding. Certain of the performance measures and ratios in this letter do not have a prescribed meaning under IFRS and may not be comparable to similar measures presented by other companies. See the Glossary of Non-GAAP and Other Financial Measures in the MD&A (MD&A Glossary) and the Appendix to Chairman's Letter to Shareholders (Appendix) for details.*

This rapid growth in the last five years focused on underwriting profit and not reaching for yield. This has resulted in our expected future annual operating income of more than $3.0 billion: $1.5 billion from interest and dividend income, more than $1.0 billion in underwriting profit and more than $0.5 billion profit from non-insurance companies (associates and consolidated investments), resulting in Fairfax earning approximately $100 per share even without any potential gains on our stock positions! Fairfax has never been in this position before! Over the next few years, we may be in a virtuous cycle, where interest and dividend income, underwriting profit and capital gains all go up together! In the future, we will focus on our operating income as stock and bond price fluctuations are only relevant over the long term.

Here's how our insurance companies performed in 2022:

	Underwriting Profit	Combined Ratio	Catastrophe Losses	Combined Ratio Excluding Catastrophe Losses	Increase in Gross Premiums 2022 vs 2021
Northbridge	205	89%	2%	87%	8%
Odyssey Group	209	96%	8%	88%	18%
Crum & Forster	190	95%	2%	93%	23%
Zenith	39	95%	0%	95%	1%
Brit	61	98%	11%	87%	22%
Allied World	389	91%	8%	83%	12%
International Re/Insurers	13	99%	5%	95%	10%
Consolidated	1,105	95%	6%	89%	16%

We had a record underwriting profit of $1.1 billion in 2022 as all our major insurance companies had a combined ratio below 100% in spite of significant catastrophes. Because of diversification and the size of our companies, we were able to absorb record catastrophe losses of $1.3 billion and still have a combined ratio of 95%. And again with very strong reserving! As the table shows, all of our insurance and reinsurance companies (except Zenith) continued to grow significantly in 2022.

In 2022, Northbridge and Allied World had the lowest combined ratios of 89% and 91% respectively, while producing record underwriting profits. At gross premiums of $6.6 billion and $6.5 billion respectively, Odyssey Group and Allied World were our largest companies.

In spite of major catastrophe losses in 2022, particularly from Hurricane Ian, Brit had a combined ratio of 98% (and Ki, its innovative follow-only syndicate, which only began business in 2021, had a combined ratio of 99%). Matthew Wilson had returned to Brit as CEO in September following a leave of absence battling a rare form of blood cancer, but late in 2022, following strict orders from his doctors, Matthew decided to step down as Brit CEO to focus on his family and health. It was one of the hardest decisions he ever had to make. Matthew had been with Brit for 23 years and was instrumental in building Brit to be one of the most forward-thinking companies in the market. He leaves a lasting legacy of success across the whole organization. Matthew recommended that Martin Thompson, who filled in so well for him during his leave of absence, become Brit's full-time CEO, and we are happy to say that Martin has agreed to take on that role. Martin is a highly experienced leader in the insurance sector and demonstrated this when filling in for Matthew. We are very pleased that Matthew will remain as an Executive Advisory Director to Fairfax, Brit and Ki going forward.

The transformation of Fairfax was due to the outstanding Presidents and management teams we have at each of our decentralized companies (23 in total). We list them here again for you and the tenure of each of the Presidents:

Company	President	Years with Fairfax	Years with the Company
Northbridge	Silvy Wright	29	29
Odyssey Group	Brian Young	27	27
Crum & Forster	Marc Adee	23	23
Zenith	Kari Van Gundy	13	27
Brit	Martin Thompson	2	1
Allied World	Lou Iglesias	6	11
Falcon (Hong Kong)	Chiu Furmen	2	2
Pacific (Malaysia)	Gobi Athappan	22	8
AMAG (Indonesia)	Pankaj Oberoi	6	6
Fairfirst (Sri Lanka)	Sandeep Gopal	3	3
Singapore Re	Philippe Mallier	26	2
Bryte (South Africa)	Edwyn O'Neill	6	10
Colonnade (CEE)	Peter Csakvari	8	8
Polish Re	Jacek Kugacz	14	27
ARX Insurance (Ukraine)	Andrey Peretyazhko	3	17
Universalna (Ukraine)	Oleksiy Muzychko	3	14
Fairfax Brasil	Bruno Camargo	13	13
Southbridge Colombia	Marta Lucia Pava	6	16
Southbridge Chile	Fabiana de Nicolo	6	8
Southbridge Uruguay	Marcelo Lena	6	23
La Meridional (Argentina)	Juan Luis Campos	6	8
Eurolife (Greece)	Alex Sarrigeorgiou	6	19
RiverStone	Nick Bentley	25	25
Fairfax Insurance Group	Andy Barnard	27	
Fairfax Asia	Ramaswamy Athappan	20	
Fairfax Latam	Fabricio Campos	6	
Fairfax International	Bijan Khosrowshahi	13	

We owe our Presidents and management teams a huge debt of gratitude for our results and, most importantly, for maintaining our fair and friendly Fairfax culture in all our companies. In the insurance business, a few good men and women can have a huge impact on the business.

As I have said many times in the past but it bears repeating, it is quite amazing to see how Fairfax's insurance operations have performed since Andy Barnard assumed the role of overseeing all of our insurance/reinsurance companies 13 years ago. Andy became President of Fairfax Insurance Group in 2010 when we had gross premiums written of $5.5 billion. In 2022, we had gross premiums written of $27.6 billion, a fivefold increase. Since 2010, we have had only two years, 2011 and 2017 (due to catastrophes), with combined ratios in excess of 100%. And we have had reserve redundancies every year! Simply outstanding!

Andy has worked very closely with Peter Clarke during all of those years. Peter, who has been with us for 26 years and is now the President of Fairfax, has done an outstanding job for Fairfax. He is the only officer other than me who is involved in both sides of the company, insurance and investments, serving on both our executive committee and our investment committee. With Andy and Peter, our company is in great hands – not that I am retiring!!

With the amazing growth we have had in the past five years, Andy decided it was time to have Brian Young assist him in his oversight of all our insurance/reinsurance companies worldwide, even while Brian remains CEO of Odyssey Group. We expect to grow organically through cooperation among our companies and disperse best practices across our companies, always in a decentralized structure where our Presidents run our companies unfettered.

As you know, Brian Young joined Fairfax with Andy Barnard in 1996 and has run Odyssey Group since 2011. He has grown Odyssey from $2.2 billion in gross premiums written in 2010 to $6.6 billion in 2022, with a cumulative combined ratio of 94.2% and reserve redundancies every year. With cumulative underwriting income of $2.0 billion and cumulative net income after taxes of $3.3 billion (including total investment income), Odyssey has had the best track record of any of our companies and one of the best in the world. Last year, I mentioned to you that Brian had commissioned a book titled Enduring Momentum: Odyssey Group's First 25 Years as a Fairfax Company. It shows you the wonderful Fairfax culture that Brian has built in Odyssey. You can see why we are so excited to have Brian join Andy going forward!

With Brian Young taking on this additional oversight role at Fairfax, we are very excited that Carl Overy was appointed Global CEO of OdysseyRe's global reinsurance portfolio. Carl has been with Odyssey Group for more than 20 years and has done an outstanding job for the last 14 years as the CEO of Odyssey Group's London Market Division. Replacing Carl in London will be Bob Pollock. Bob joined Odyssey Group in 2004 and has since progressed through several positions, each with increased underwriting authority and broader responsibilities. He was named the head of U.S. Financial Lines, Cyber and Workers Compensation in 2021. These are all excellent appointments and I am very happy to highlight that they have all come from within Odyssey Group.

Late in 2021, Gary McGeddy, who runs the Accident and Health division at Crum & Forster, called Andy to suggest that we sell our pet insurance business as there was much consolidation taking place in the pet industry (insurance, food, hospitals, etc.) and we were perhaps not well placed to benefit from it. After much discussion, Morgan Stanley introduced us to Olivier Goudet, CEO of JAB Holdings. JAB, under Chairman Peter Harf and CEO Olivier Goudet, has a terrific record of consolidating many industries, including coffee and restaurants, so we decided to sell our pet insurance business to them for $1.4 billion, resulting in a net pre-tax profit of $1.2 billion. As JAB has a very impressive record, we decided to invest $200 million in their Fund 5 (which focuses on the pet industry), and also take back a $250 million note with an interest rate of 6% as part of the sale proceeds. We think JAB will be a great owner of our pet insurance business and wish them and all our employees much success.

Digit, led by Kamesh Goyal, had another strong year: after only five years since its inception, premiums are over $900 million, up 50% over the last 12 months in local currency, and with the benefit of investment income it had another profitable year. Digit entered the Fortune India magazine's ranking of India's 500 largest companies by total revenue during the year at 398th on the list – we expect that will move up going forward! Digit is exploring an IPO in 2023 which would fund future growth.

Gulf Insurance Group had another excellent year led by CEO Khaled Saoud Al-Hasan and GIG Gulf CEO Paul Adamson. 2022, the first full year with GIG Gulf results, produced gross premiums of over $2.5 billion and a combined ratio of approximately 92%. We have a wonderful partnership with Kipco, led by CEO Sheikha Dana, in the ownership of Gulf Insurance.

The strength of Fairfax and our insurance and reinsurance operations has not gone unnoticed by the rating agencies. In 2022 Standard & Poor's upgraded our insurance financial strength rating to A and our debt rating to BBB and AM Best put our debt rating on a positive outlook, as did DBRS. Some great momentum on the rating front in 2022 and we expect more to come.

Beginning in 2023 Fairfax is required to adopt a new accounting standard for insurance contracts (IFRS 17). It will bring considerable changes to the recognition, measurement, presentation and disclosure of the Company's insurance and reinsurance operations – the most significant being the discounting of our insurance liabilities offset by a specific risk margin for uncertainty which will help mitigate the effects of IFRS 17, particularly on transition. However, this new reporting requirement will not change the way management evaluates the business. We will continue to be focused on underwriting profit on an undiscounted basis with strong reserving. All our companies will continue to use the traditional performance metrics of gross premiums written, net premiums written and combined ratios to manage the business. Given the increasing interest rate environment in 2022, Fairfax expects to record a material increase in restated common shareholders' equity as at December 31, 2022 by adopting this new standard. It was a huge project to prepare for this conversion by our accounting, finance and actuarial teams all around the world – all the time maintaining their regular duties effectively. A big thank you to our CFO Jennifer Allen, our Chief Actuary Olivier Quesnel and the team at Fairfax for taking the lead on this major project.

We decided to take Recipe private, and on August 9, 2022 we offered a 53% premium to the pre-announcement stock price. 99% of the shareholders tendered to the bid. We felt that as Recipe had undergone many acquisitions since it went public in April 2015, it was best to rationalize its operations in a private format. The Phelan family decided to stay with us for 16% and we have the remaining 84%. Frank Hennessey continues as CEO with Ken Grondin as CFO. Bill Gregson will join the Recipe Board with Sean Regan, Nav Sidhu and myself.

David Sokol, after exploring the idea of taking Atlas private, approached the Washington family (which owned 22%) and Fairfax (which owned 45%) to see if they wanted to back him. As we are big fans of David, we decided to roll our shares forward and Ocean Network Express helped him finance the take private transaction at $15.50 per share, a 42% premium to the 30-day average price prior to the announcement. On February 24, 2023 85% of the minority shareholders who voted, voted in favor of the transaction, which should close soon. We continue to be excited to be shareholders of Atlas under David and Bing Chen's leadership.

In July 2022, Resolute agreed to be purchased by the Paper Excellence Group. The cash portion of the deal, $20.50 per share, represented a 64% premium to Resolute's pre-announcement price. Resolute's shareholders will also receive contingent value rights tied to potential duty deposit refunds of up to $500 million. Fairfax, which held 40% of Resolute, agreed to vote in favour of the deal.

Paper Excellence's acquisition of Resolute closed on March 1, 2023. Our journey with Resolute began in a significant way in April 2008 with the purchase of approximately $350 million of an 8% AbitibiBowater convertible bond (at $10 per share) – almost 14 years ago! We added to our investment in Resolute in common shares and bonds over the years with a net investment after dividends of $715 million. With the interest income received on our bonds, sale proceeds of $622 million and with a little bit of good fortune on our remaining holdings in the contingent value rights, we may end up breaking even over this long holding period – although clearly a very poor long-term return. A big thank you to Remi Lalonde, Duncan Davies and Brad Martin for leading a strong turnaround in Resolute's results over the last few years.

After 37 years, here's what our insurance business looks like worldwide:

Fairfax Worldwide Insurance Operations as at December 31, 2022

	Ownership	Country	Gross Premiums Written		Combined Ratio	Investment Portfolio
				% of Total		
Northbridge	100%	Canada	2,302	8%	89%	4,255
Crum & Forster	100%	United States	4,571	17%	95%	6,698
Zenith	100%	United States	728	3%	95%	1,762
North American Insurers			**7,601**	**28%**	**93%**	**12,715**
Odyssey Group	90%	United States	6,560	24%	96%	13,265
Brit	86%	United Kingdom	3,946	14%	98%	5,981
Allied World	83%	Bermuda	6,490	24%	91%	11,562
Global Insurers and Reinsurers			**16,996**	**62%**	**95%**	**30,808**
Falcon	100%	Hong Kong	99	0%	94%	218
Pacific	85%	Malaysia	165	1%	98%	191
AMAG	80%	Indonesia	155	1%	93%	163
Fairfirst	78%	Sri Lanka	44	0%	99%	30
Singapore Re	100%	Singapore	281	1%	63%	338
Asian Insurers and Reinsurers			744	3%	89%	939
Fairfax Brasil	100%	Brazil	253	1%	128%	194
Southbridge Colombia	100%	Colombia	175	1%	97%	119
Southbridge Chile	100%	Chile	404	1%	89%	122
Southbridge Uruguay	100%	Uruguay	18	0%	95%	14
La Meridional	100%	Argentina	255	1%	100%	78
South American Insurers			1,105	4%	107%	526
Bryte	100%	South Africa	382	1%	108%	286
Colonnade	100%	Luxembourg	236	1%	95%	304
Polish Re	100%	Poland	133	0%	98%	204
Fairfax Ukraine	70%	Ukraine	139	1%	91%	102
Eurolife General	80%	Greece	81	0%	99%	154
Group Re	100%	Barbados	147	1%	99%	973
Other International Insurers and Reinsurers			1,117	4%	100%	2,023
International Insurers and Reinsurers			**2,965**	**11%**	**99%**	**3,488**
Other[1]						8,658
Consolidated Insurers and Reinsurers			**27,562**	**100%**	**95%**	**55,668**
Gulf Insurance[2]	44%	Kuwait	2,676		92%	2,407
BIC[2]	35%	Vietnam	166		98%	223
Digit	49%[3]	India	935		108%	1,438
Falcon	41%	Thailand	88		115%	44
Non-consolidated Insurers and Reinsurers[4]			**3,865**		**97%**	**4,112**
Total			**31,427**		**95%**	**59,780**

(1) Includes Eurolife's life insurance, Run-off and other investments in associates

(2) As at and for the twelve months ended September 30, 2022

(3) 74% upon conversion of securities, once regulatory approval is received

(4) Based on 100% level

As the table shows, everything included, we have $31.4 billion in gross premiums written with an investment portfolio of $59.8 billion. Our size now ranks us in the top 20 (excluding Lloyd's) property and casualty insurance companies in the world. As you know, we have never been focused on size, but compounding over time has resulted in our having built one of the premier insurance businesses in the world – fully decentralized and run by our Presidents. We have forgone cost synergies for having highly empowered, entrepreneurial insurance companies – nimble, team-oriented and providing outstanding service to their customers. This is why we have grown so much during the recent hard markets! We are excited about our future prospects.

The $27.6 billion of our consolidated gross premiums is generated through approximately 200 profit centres across the group. Each profit centre is focused on a unique set of customers, geographies or products that benefit through market leadership, product knowledge and the ability to provide excellent customer service. These profit centres facilitate transparency, enabling Andy Barnard and Peter Clarke to effectively monitor the insurance operations. Empowerment thrives at Fairfax.

Of the $27.6 billion of our consolidated gross premiums, North America continues to account for 75%, Brit at Lloyd's accounts for 14% and the remaining 11% is widely dispersed in Asia (3%), South America (4%) and other international (4%).

As markets outside North America and Europe are very underpenetrated, we expect significant growth from our companies there.

We continue to be the leading property and casualty insurer in Ukraine. In spite of the brutal invasion of Ukraine by Russia, our three Presidents in Ukraine, Andrey Peretyazhko, Oleksiy Muzychko and Svyatoslav Yaroshevych, have looked after the safety of our employees and their families first and foremost while maintaining our operations and achieving excellent combined ratios and operating profits. We have gone the extra mile, making sure we look after our employees and their families and providing them with all essential requirements. Our thoughts and prayers continue to be with our employees and their families and the people of Ukraine.

In 2022, all our consolidated insurance companies had a combined ratio less than 100% except Fairfax Brasil (128%) and Bryte in South Africa (108%). We expect them to be back below 100% soon. More in the insurance section.

Here's how our gross premiums and float (on a consolidated basis) in total and per share have compounded since we began in 1985:

	Gross Premiums Written		**Float**	
		($ per share)		*($ per share)*
1985	17	3	13	2½
1990	81	15	164	30
1995	920	104	653	74
2000	3,722	284	5,877	449
2005	5,516	310	8,757	492
2010	5,361	263	13,110	641
2015	8,331	375	17,209	775
2020	18,979	725	24,278	927
2022	27,562	1,182	31,230	1,339

In 2022 our gross premiums per share increased by 18.5% and float per share by 14.8%: they have compounded at 17.5% and 18.5% annually, respectively, since inception. As the section on float later shows, this continues to be a massive benefit to Fairfax in the long term.

As we began to show in the last two years, below is a table of our largest common stock holdings in each of three buckets: common stocks which are marked to market; common stocks of associates which are equity accounted; and common stocks which are consolidated. The table shows you for each bucket, as at December 31, 2022, the shares we own and the per share and total carrying values and market values of those shares. At year-end, the total

market value of these common stock holdings exceeded their total carrying value by $240 million. As at March 3, 2023, the total market value exceeded the total year-end carrying value by approximately $900 million.

Common Stock Holdings as at December 31, 2022

	Shares *(millions)*	Ownership	Carrying Value per Share *($)*	Share Price *($)*	Carrying Value	Market Value
Common Stocks – Mark to Market						
Commercial International Bank[1]	196.0	7%	1.66	1.66	324	324
Kennedy Wilson[1][2]	12.9	9%	15.73	15.73	202	202
Micron Technology	3.4	0%	49.98	49.98	171	171
Foran Mining	71.6	28%	2.13	2.13	153	153
Blackberry[1][3]	44.9	8%	3.25	3.25	146	146
Altius Minerals	6.7	14%	16.38	16.38	109	109
Bank of America	3.0	0%	33.11	33.11	99	99
Mytilineos	4.0	3%	21.62	21.62	86	86
Other					1,919	1,919
Common stocks					3,209	3,209
Limited partnerships					1,873	1,873
Total Mark to Market					5,082	5,082
Common Stocks – Equity Accounted (Associates)						
Eurobank Ergasias[1]	1,194.1	32%	1.26	1.13	1,508	1,345
Atlas[1][2]	121.6	43%	12.39	15.34	1,506	1,865
Resolute[1]	24.8	32%	20.53	21.59	508	508
Quess	44.6	30%	10.02	4.98	447	222
Stelco	13.0	24%	23.45	32.58	305	423
Exco Resources	22.9	44%	12.59	23.79	288	545
Helios Fairfax Partners[1]	35.3	34%	5.19	2.95	183	104
Kennedy Wilson partnerships	—	—	—	—	149	149
Peak Achievement	—	43%	—	—	124	195
Astarta	7.5	30%	13.93	4.64	104	35
Other					285	284
Total Associates					5,407	5,675
Common Stocks – Consolidated						
Recipe[1][4]	34.3	76%	17.25	15.30	594	525
Fairfax India[1]	47.9	35%	10.78	12.21	517	585
Grivalia Hospitality[4]	226.8	78%	1.81	1.80	411	409
Thomas Cook India	340.3	73%	0.63	0.86	214	293
Boat Rocker Media	25.3	45%	4.11	1.67	104	42
Dexterra Group	31.8	49%	3.24	4.01	103	127
Farmers Edge	25.7	61%	2.76	0.20	71	5
Other					86	86
Total Consolidated					2,100	2,072
Total Common Stock Holdings					**12,589**	**12,829**

(1) Excludes shares controlled and directed through our asset value note from the sale of RiverStone Barbados

(2) Excludes 13 million and 6 million warrants of Kennedy Wilson and Atlas, respectively

(3) Excludes 48 million shares from convertible bonds

(4) Market values shown for Recipe and Grivalia Hospitality represent Fairfax's recent transaction valuations

It is important to recognize that because our publicly traded common stocks in both the second and third buckets are not marked to market, it is only on sale that their market values will be reflected on our balance sheet. By showing the above tables to you on a regular basis, you can mark to market the great majority of our common stock positions – up and down! Additionally, remember, it is only in the long term that stock prices reflect underlying intrinsic values.

So, for instance, until we sell Stelco (carrying value of $23.45 per share versus year-end market value of $32.58 per share) which is in the equity accounted bucket, the gain will not be realized in our income statement. Similarly, the loss on Farmers Edge (carrying value of $2.76 per share versus market value of $0.20 per share) which is in the consolidated bucket will not be reflected in our income statement until we sell the shares. Having said that, we have written down Farmers Edge by $133 million.

When you compare carrying values to market values at the end of 2022, market values exceed carrying values by $240 million: a $268 million excess for equity accounted associates and a $28 million deficit for consolidated investments, which may be temporary since it reflects the impact of the pandemic on restaurants (Recipe) and tourism (Thomas Cook India).

As the table on page 13 shows, consolidated investments include the following: Recipe, Fairfax India, Grivalia Hospitality, Thomas Cook India, Boat Rocker Media, Dexterra Group and Farmers Edge. Our consolidated investments are significant, producing total revenue of $5.6 billion, EBITDA of $743 million and pre-tax income of $303 million (excluding a $133 million writedown of Farmers Edge) before minority interest in 2022.

Many of our consolidated investments, particularly Recipe and Thomas Cook India, have suffered from the pandemic. We expect operating income from these investments to improve significantly over time.

We discuss our investments in more detail in the section on investments. The long-term potential of our investments continues to be very significant.

The table below shows the dollar and percentage contribution (the percentage is of our approximately $54.3 billion average investment portfolio) of the various components of our investment return in 2022 (the gain on sale of our pet insurance business is not included in this table):

	2022		**2021**	
Interest and dividends	962	1.8%	641	1.3%
Share of profit of associates	1,015	1.9%	402	0.8%
Net gains (losses) on common stocks	(244)	(0.4)%	2,312	4.8%
Net losses on bonds	(1,086)	(2.0)%	(261)	(0.5)%
Other net gains (losses)	(413)	(0.8)%	1,352	2.8%
	234	0.4%	4,446	9.2%

Interest and dividend income rose significantly in 2022 due to rising interest rates to $962 million from $641 million last year. The 1.8% interest and dividend return on our portfolio in 2022 compares to 1.3%, 1.9% and 2.2% in 2021, 2020 and 2019 respectively when we refused to "reach for yield" by going long duration: 50% of our portfolio was in cash and short-term securities at the end of 2021. Currently running at $1.5 billion annually, interest and dividend income is providing a return of 2.7% on the portfolio. Share of profit of associates increased to $1.0 billion in 2022 or 1.9% of the portfolio, mainly because of profits from Atlas ($258 million), Eurobank ($263 million), Resolute ($159 million) and Exco ($82 million). The combination of interest and dividends and profit from associates accounted for a 3.7% return on our portfolio in 2022, the highest return in the last five years (average 2.5%). We expect to earn these returns in 2023 as well, partly because we have $2.4 billion invested through Kennedy Wilson in well-secured first mortgages, primarily on high quality residential apartment buildings, at a floating rate (currently 7.9%).

Fluctuations in bond and stock prices accounted for a $1.3 billion loss in 2022. Net losses on bonds of $1.1 billion will mostly run off in the short term because of the very short duration of our bond portfolio. We expect our unrealized loss on equity exposures of $244 million to reverse to significant realized gains over time.

Below is, once again, a table that shows, for successive periods over our 37 years of operations, the compound growth in our book value per share (including dividends paid) together with the average combined ratio and average total return on investments:

	Compound Growth in Book Value per Share	Average Combined Ratio	Average Total Return on Investments
1986-1990	57.7%	106.7%	10.4%
1991-1995	21.2%	104.2%	9.7%
1996-2000	30.7%	114.4%	8.8%
2001-2005	(0.9%)	105.4%	8.6%
2006-2010	24.0%	99.9%	11.0%
2011-2016	2.1%	96.0%	2.3%
2017-2022	11.8%	97.3%	4.8%

As discussed in earlier reports, our growth in book value consists of two major variables – the combined ratio of our insurance companies and the total return on our investment portfolio. Our insurance businesses have produced on average a combined ratio below 100% for the last 17 years. Our investments are in many outstanding businesses that should produce excellent results for years to come. Our investment results went through a dip in 2011 to 2016 (really 2010 to 2016) because of our hedging losses. That is behind us (and will never again be repeated) and our returns in the next five years, though always lumpy, should continue their comeback to historical levels.

India

Last year, I read a book on the Honorable Prime Minister Modi that was released in 2022 by BlueKraft Digital Foundation. It has five chapters on the impact of Mr. Modi on Indian society, politics, economics, governance and foreign policy. In each of these sections, it interviews individuals – 21 in total – who provide the reader with their perspective on Mr. Modi. It is an outstanding book on Mr. Modi and what he has already achieved for the people of India. I have sent this book to all our companies in India and to others across the world!

Here's what I said:

"Why has PM Modi won five straight elections, three in the State of Gujarat and two as Prime Minister of India – with clean majorities in a country with a 1.4 billion population? This book answers the question from many perspectives, including business, sports, empowerment of women, culture, etc. It is quite unbelievable what one man has accomplished for the massive population of India. And Mr. Modi is not from the elite. He was a tea seller's son who had no formal education. As an unabashed admirer of Mr. Modi, I had no idea about the breadth of his achievements until I read this book. You are witnessing the greatest leader of the world – live! The good Lord has at last blessed India with a leader the world has never seen before – including Lee Kuan Yew!

You will feel the same after you read this book."

P.V. Sindhu, an Indian who won the World Championship in Badminton in 2019 said it best: *"PM Modi has taught us to dream. Anything is possible."*

The economic scale of Mr. Modi's achievements is unbelievable. He says "think big and execute on scale", for example:

- He has provided medical insurance for the poorest 500 million people in India.
- He has electrified 18,000 villages in India. Now everyone has electricity.
- He has had 120 million toilets installed.
- He has provided 100 million gas cylinders for women who used to cook with coal or wood.
- He has provided 400 million bank accounts to rural India. Government transfers are now made to these accounts with no frictional costs.
- As I said last year, by the end of his second term (2024) he will have provided 100% of Indians with drinkable tap water.

- Finally, he respects and encourages wealth creators. He has said government is not in the business of running companies but to provide the environment for business to succeed. India has embarked on the largest privatization program since Margaret Thatcher's in the U.K.

Is there any doubt that Mr. Modi will get re-elected next year for his third term? He is the most trusted person in the country. In my mind, India is the single best country in the world to invest in for the long term.

As I was writing this to you, Mr. Athappan sent me a video by Deepak Bagla, Managing Director and CEO of Invest India, who describes the amazing transformation taking place in India. It is breathtaking and prompted me to include it in this letter! (www.youtube.com/watch?v=45PrXujlQCo)

The table below shows our investments in India and how they have performed up to December 31, 2022:

	Date of Initial Investment	Ownership	Cost	Fair Value at December 31, 2022	Compound Annualized Return
Thomas Cook India	Aug-12	73.3%	315	293	10.7%[(1)]
Fairfax India	Jan-15	41.6%	534	703	4.3%
Digit	Feb-17	49.0%	154	2,278	79.5%
Quess	Dec-19	30.1%	335[(2)]	222	(7.1)%
Other			365	308	
			1,703	3,804	
Fairfax India's investments					
Bangalore International Airport	Mar-17	54.0%	653	1,234	12.2%
IIFL companies[(3)]	Dec-15		156	634	19.8%
Sanmar Chemicals	Apr-16	42.9%	199	338	13.2%
CSB Bank	Oct-18	49.7%	170	223	7.5%
Seven Islands	Mar-19	48.5%	84	97	4.0%
NCML	Aug-15	89.5%	188	69	(13.8)%
Fairchem Organics	Feb-16	52.8%	30	111	34.1%
National Stock Exchange	Jul-16	1.0%	27	160	35.2%
Saurashtra Freight	Feb-17	51.0%	30	51	10.1%
Maxop	Nov-21	67.0%	51	52	0.8%
Jaynix	Feb-22	70.0%	32	33	1.0%
Other			34	38	24.8%
			1,654	3,040	13.2%

(1) Includes dividends received ($11 million) and spinoff of Quess ($330 million)

(2) Cost shown for Quess represents its market value on December 5, 2019, the date it was spun off from Thomas Cook India

(3) IIFL companies include IIFL Finance, IIFL Securities, 360 ONE WAM (formerly IIFL Wealth) and 5paisa

Since Fairfax India began, it has completed investments in 12 companies and exited one (14 currently as one has been split into four listed entities), all sourced and reviewed by Fairbridge, Fairfax's wholly-owned sub-advisor in India. Fairbridge does outstanding work under the excellent leadership of CEO Sumit Maheshwari, supported by its Director Anish Thurthi, Vice President Sheetal Sancheti and analysts Jinesh Rambhia, Ramin Irani and Chinar Mathur. Fairfax India's Mauritius subsidiary, FIH Mauritius Investments, ably led by its CEO Amy Tan, supported by its Vice President Vishal Mungur and its independent Board of Directors, is an integral part of the investment process. Also, since Fairfax India began, Deepak Parekh, both as a trusted advisor and a member of the Board of Directors, has provided us with invaluable advice on almost all of its transactions.

All of Fairfax India's investments are in outstanding companies with a history of strong financial performance, led by founders and management who are not only excellent but also adhere to the highest ethical standards.

As I have said many times in past annual reports, the crown jewel (and largest) of Fairfax India's investments is the Bangalore International Airport, run by Hari Marar. In 2022, Hari and his team did the impossible – they built the most beautiful airport in the world (Terminal 2 or T2) in a record four years, of which two were interrupted by COVID! In my mind, there is no airport in the world like T2 and it will be an inspiration for travellers arriving in Bangalore, the state of Karnataka and India. It will show the world anything is possible in India.

Please read Chandran Ratnaswami's letter to shareholders in the Fairfax India annual report for a lot of excellent information on T2 and our other investments in India. Chandran, with his team, has done an outstanding job building Fairfax India, and of course all our investments in India, since he joined us in 1994.

With the resolution of many of the challenges it faced due to the pandemic, IIFL Finance, led by Nirmal Jain and R. Venkataraman, had excellent results in 2022. Its assets under management, which have grown at a CAGR of 16% over the last five years, grew by 24% over the previous year to $7.0 billion in 2022. The growth was driven by home loans (+24%) and gold loans (+25%). In 2022, IIFL Finance's revenue increased by 29% to $630.7 million and profit after tax increased by 32% to $187.3 million, generating an ROE of 15%. The below-average ROE resulted partly from higher than normal capital levels at IIFL Home Finance from a capital infusion into it of $275 million by ADIA, the Middle Eastern sovereign fund that valued it at $1.4 billion.

Asset quality continues to be amongst the best in IIFL Finance's peer group, with gross and net non-performing assets at 2.1% and 1.1% respectively, compared to 2.8% and 1.5% respectively in the previous year. The provision coverage ratio was 164% versus 133% the previous year.

IIFL Finance is well positioned to take advantage of the post-pandemic economic recovery expected, even though the cost-to-income ratio increased from 39% to 42% due to the growth in the number of branches and employees. Its asset portfolio is strongly diversified and 95% is retail. Meanwhile, the capital adequacy ratio is 21.5% for IIFL Finance and 49.3% for IIFL Home Finance, while net interest margins are 8.3%.

It is with much regret that we inform you that Sanmar's founder, leader and chairman, Mr. N. Sankar, passed away in 2022. He was a great visionary leader in Indian business, our partner and our friend.

Sanmar, led by Vijay Sankar, performed very well in 2022, though it did not match the outstanding results it produced in 2021. For the year ended December 31, 2022 Sanmar's revenue grew by 11% over the previous year to $1.4 billion, EBITDA declined by 14% to $223.5 million and profit before tax grew by 5% to $91.0 million (excluding the impact of debt restructuring gains and an inventory writedown).

The leadership transition at CSB Bank from Mr. C.V.R. Rajendran, who had been the CEO for the last five years before retiring in 2022, to new CEO Pralay Mondal has gone smoothly and Pralay is well in control of CSB, which continues to make excellent progress on its transformative journey that began with the recapitalization of the bank that was enabled by our investment. 2022 was the best year ever for CSB.

Despite the pandemic-driven volatility in business sentiment and activity and high levels of system liquidity which constrained opportunities for lending that affected part of the year, CSB made excellent progress in its key performance measures in 2022, with loan advances growth of 26% and deposits growth of 19% (including lower-cost current and savings accounts growth of 9%). Net interest income grew by 15% and the loan-to-deposit ratio improved from 77% to 81%. Although net interest margin decreased from 5.3%, it remained at an industry-leading 5.0%. Cost of deposits decreased to 4.2% from 4.4% even though current and savings accounts declined to 31.7% from 34.6% of total deposits.

Credit quality also improved considerably – gross non-performing assets decreased to 1.5% from 2.6%, net non-performing assets decreased to 0.4% from 1.4% and the provision coverage ratio increased from 83.0% in December 2021 to 91.9% in December 2022. CSB's revenue for 2022 increased by 12% to $196.4 million from $185.6 million in 2021, net income increased by 41% to $66.4 million from $50.2 million in 2021 and its capital adequacy ratio increased from 20.7% to 25.8%.

For the year ended December 31, 2022, Fairchem's revenue grew by 8% to $85.8 million, net earnings decreased by 42% to $5.4 million and shareholders' equity grew by 12% to $29.8 million, generating an ROE of 17%. The decline in profits was due to higher raw material costs and weak end-product demand and prices: the high cost of raw materials was precipitated by the war in Ukraine – Ukraine is one of the world's largest producers of sunflower oil and its supply was disrupted, resulting in higher prices for alternative oils which are key raw materials for Fairchem – and there was poor product demand in Europe due to recessionary conditions. With the founder, Nahoosh Jariwala, in charge, we expect Fairchem to do well in the next few years.

Maxop is a precision aluminum diecasting and machining solution provider for aluminum die cast components used by the automotive and industrial sectors, with customers in India, Asia, North America and Europe. Based in New Delhi, it operates four plants in Manesar and two plants in Jaipur. It was founded in 2003 by Shailesh Arora.

Maxop's revenue increased in 2022 to $70.5 million from $65.7 million in the previous year and EBITDA remained at similar levels as 2021 at about $15 million, but net income decreased from $8.8 million to $6.0 million. Growth outlook for the coming year remains strong, based on demand from existing and new customers.

In February 2022 Fairfax India acquired 70% of Jaynix Engineering for $32.5 million. Jaynix is a manufacturer of non-ferrous (primarily aluminum) electrical neutral bars, lugs, connectors and assemblies and is a Tier 1 supplier to major electrical original equipment manufacturers such as Schneider, Eaton and Siemens in North America and Europe. It was founded in 2008 by Nikhil Diwakar and Ninad Diwakar.

In 2022 Jaynix's revenue increased from $26.3 million in 2021 to $35.1 million, EBITDA increased from $7.7 million to $11.7 million and net income increased from $5.3 million to $7.7 million, generating an ROE of 42%.

While the book value per share of Fairfax India is $19.11 per share, we believe the underlying intrinsic value is much higher. Given the low market price for its shares, Fairfax India has taken the opportunity in the last four years to buy back 15.1 million shares for $194 million at an average price of $12.84 per share, including the three million shares it bought in 2022 for $36 million or an average price of $12 per share.

We are happy to note a substantial recovery in Thomas Cook India's businesses during 2022. With excellent leadership by Madhavan Menon, Thomas Cook India exited the year reporting a 90% recovery in its forex business, 79% recovery in its outbound travel business and 84% recovery in its inbound travel business. This is following a difficult year in 2020 when COVID-19 caused its travel business to decline by 90% and its forex business to decline by 75%, and an incipient recovery of 53% in forex business and 27% in travel business in 2021. Business recovery combined with cost reductions resulted in its results improving – a pre-tax loss of $2 million in 2022 compared to a pre-tax loss of $46 million in 2021.

Thomas Cook India implemented extensive cost saving initiatives combined with enhanced automation to mitigate the drop in business and improve profitability as normalcy returns. We are pleased to note that total costs were down 40% compared to pre-pandemic levels, while a permanent saving of 20% in overheads compared to the pre-pandemic levels is envisaged. During 2021, Thomas Cook India raised $60 million from Fairfax through optionally convertible redeemable preference shares with a 10.7% dividend yield, a seven-year tenure and an option to convert into ordinary shares of the company at 47.30 rupees per share within 18 months from the date of issuance. Thomas Cook India chose to convert the entire amount over two tranches resulting in Fairfax's ownership increasing to 73.3%. We expect Thomas Cook India to emerge from the pandemic stronger and more efficient, generating superior returns going forward.

Sterling Resorts, a subsidiary of Thomas Cook India, reported its best ever results, thriving as it remained a premier leisure hospitality brand in India with 39 resorts, 37 destinations and more than 2,300 rooms besides offering vacation time share. You will recall that my letter last year reported on the leadership transition at Sterling, and we are happy to report the smooth transition from Ramesh Ramanathan to Vikram Lalvani, with excellent results achieved at Sterling during the year. Under Vikram's leadership, Sterling emerged out of two years of pandemic with a revival in the resort business in 2022 surpassing the performance of the pre-pandemic period, despite some impact due to the third wave of COVID in Q1, reporting 18% growth in revenue over the year 2019 and 21% over 2021. Its EBITDA of $15 million in 2022 is over fifteen times the $1 million it reported in 2019, and it grew 66% over 2021 on a normalised basis. The operating free cash flow doubled during the period. It ended 2022 with surplus cash and investments of $11 million besides achieving debt reduction of $4 million during the year. Sterling is focused on scaling the resort business by increasing non-member occupancies, boosting revenue from room rates and increasing food and beverage sales. Non-profitable resorts are being dropped from the portfolio, alongside a decreased focus on volume in favour of quality. With the Sterling experience getting appreciation from non-members, the focus is going to be on the quality of growth and enhancing the brand experience at the same time.

Quess which, you will remember, was spun out of Thomas Cook India in 2019, is the largest domestic private sector employer in India with over 505,000 employees (20% growth in 2022) and is India's leading integrated business services provider. It has a pan-India presence along with an overseas footprint in North America, South America, the Middle East and Southeast Asia. It serves over 3,000 clients across India, North America, APAC and the Middle East. After emerging successfully from the ravages caused by the pandemic in 2021, it continued to produce excellent growth in its core business. While some segments of its businesses are still recovering from the effects of the pandemic, in 2022 revenue from its operations grew 20% to $2.1 billion, although profit before tax decreased to $37 million from $50 million in 2021. Quess is incubating certain product-led businesses offering good value creation over time on which it incurred a loss of over $11 million during 2022. Business recovery at Quess is reflective of the strong economic recovery of India. Under the leadership of chairman and founder Ajit Isaac and a long-serving senior management team, Quess has emerged stronger through the pandemic, with more clients and good growth. We envision better times ahead for Quess as it moves forward with a clear focus on operating efficiency, reducing its cash burn in its product-led business segment and increasing cash flow from operations.

Our children's hospital initiative in India, which will be built by CMC Vellore at its Ranipet Campus in the State of Tamil Nadu – the site of its new 1,500-bed state-of-the-art trauma care center which opened in June 2022 –

continues to progress under the stewardship of Ajit Isaac. We made our Rs 300 crore (approximately $36 million) commitment to fund the construction of the new 350-bed children's hospital official in May 2022 and Fairfax and Quess donated the initial tranche later in the year. Architectural plans, which make allowance for the bed capacity to be doubled over the next decade, are nearly complete, with construction now expected to start towards the end of 2023. CMC has a long-established culture of caring for the poor and vulnerable and we believe this initiative will enable it to lead the way in transforming paediatric care in India.

We set out in 2016 with a goal to deploy 1,000 dialysis machines at 250 district hospitals across India to help provide access to free or subsidized high quality dialysis nearer to home for the country's poorest. I am very pleased to say we have now surpassed this mark, having installed 1,096 machines across 286 dialysis centers as of February 2023, with another 125 machines ordered and to be installed in the next few months. We are grateful to Thomas Cook India and its Chairman and Managing Director Madhavan Menon for their leadership on this initiative, and over the next two and a half years we now aim to install a total of 2,000 machines.

As we do regularly, we show you our unconsolidated balance sheet so that you can better see where your money is invested:

	2022	
Unconsolidated Balance Sheet[1]	*($ billions)*	*($ per share)*
Assets		
Insurance and Reinsurance Operations		
Northbridge	1.8	79
Odyssey Group	4.0	171
Crum & Forster	2.0	85
Zenith	1.0	41
Brit	1.7	73
Allied World	3.4	146
International Re/Insurers	3.7	159
Life Insurance and Run-off	0.2	7
Total	17.8	761
Non-Insurance Operations		
Recipe	0.6	26
Fairfax India	0.5	22
Grivalia Hospitality	0.4	18
Thomas Cook India	0.2	9
Other Non-Insurance	0.4	16
Total	2.1	91
Total consolidated operations	19.9	852
Holding company cash and investments	1.3	58
Investments in associates	1.0	48
Other holding company assets	0.6	20
Total assets	22.8	978
Liabilities		
Accounts payable and other liabilities	0.3	11
Long-term debt	5.9	252
	6.2	263
Shareholders' equity		
Common equity	15.3	658
Preferred stock	1.3	57
	16.6	715
Total liabilities and shareholders' equity	22.8	978

(1) Equity shown for the Insurance and Reinsurance Operations excludes minority interests, investments in other consolidated operations, investments at the holding company and intercompany debt.

The table shows you our insurance companies, which are decentralized and separately capitalized, with our consolidated non-insurance companies shown separately even though some of them may be held in our insurance companies' investment portfolios.

As you can see, we have $17.8 billion ($761 per share) invested in our insurance companies – up from $733 per share last year. And that is at book value – the intrinsic values are much higher in our view.

Our consolidated non-insurance businesses (and your investment per share in them) are shown separately in the above table: they are significant, and again, in our view worth more than the amount at which they are carried on our balance sheet. As I said last year, we expect each of these non-insurance operations to generate a 15% annual return or better over the long term.

Below we update the table on our intrinsic value and stock price. As discussed in previous annual reports, we use book value as a first measure of intrinsic value.

	INTRINSIC VALUE % Change in US$ Book Value per Share	STOCK PRICE % Change in Cdn$ Price per Share
1986	+180	+292
1987	+48	−3
1988	+31	+21
1989	+27	+25
1990	+41	−41
1991	+24	+93
1992	+1	+18
1993	+42	+145
1994	+18	+9
1995	+25	+46
1996	+63	+196
1997	+36	+10
1998	+30	+69
1999	+38	−55
2000	−5	−7
2001	−21	−28
2002	+7	−26
2003	+31	+87
2004	−1	−11
2005	−16	−17
2006	+9	+38
2007	+53	+24
2008	+21	+36
2009	+33	+5
2010	+2	—
2011	−3	+7
2012	+4	−18
2013	−10	+18
2014	+16	+44
2015	+2	+8
2016	−9	−1
2017	+22	+3
2018	−4	−10
2019	+12	+1
2020	−2	−29
2021	+32	+43
2022	+4	+29
1985-2022 (compound annual growth)	**+17.8**	**+16.1**

The table shows, excluding dividends, the change in book value in U.S. dollars and in our stock price in Canadian dollars. As I have said before, we think our intrinsic value far exceeds our book value. As shown in the table, there have been many years when our book value has increased significantly and our stock price has gone up more: please note 1993, 1995, 1996, 1998, 2003, 2008, 2014, 2021 and now 2022. Many more such years yet to come!

Over our 37 years, excluding dividends, we have compounded book value by 17.8% annually and our stock price has compounded by 16.1% annually. Over these 37 years, there are only 55 companies of the 6,000 companies listed in 1985 on the U.S. exchanges (NYSE, NASDAQ and American) – i.e., only 1% – that have had an annual return above 15%.

For our stock price to match our book value's compound rate of 17.8%, our stock price in Canadian dollars should be $1,375. And our intrinsic value exceeds book value, a principal reason being that our insurance companies generate huge amounts of float at no cost. This is the reason we continue to buy back our shares as we continue to think they are very cheap.

Here is how our stock price has done over the periods shown ending in 2022, compared to the TSX and S&P500 (all including dividends):

	Fairfax (Cdn$)	**TSX**	**S&P500**
5 years	5.9%	6.8%	9.4%
10 years	10.8%	7.7%	12.6%
15 years	9.5%	5.4%	8.8%
20 years	12.1%	8.5%	9.8%
37 years since our inception	17.3%	8.1%	10.6%

Long-term returns are significantly affected by the most recent five-year returns, but as Bob Dylan has said, "The times they are a-changin'". Over 37 years, we have beaten the indices handily, and although not in the last ten years, we have done so again over the last two years. Optimistically, we think this will continue!

Insurance and Reinsurance Operations

	Combined Ratio			**Change in Net Premiums Written**
	2022	**2021**	**2020**	**2022 vs 2021**
Northbridge	89%	89%	92%	7%
Odyssey Group	96%	98%	95%	22%
Crum & Forster	95%	96%	98%	20%
Zenith	95%	88%	92%	4%
Brit	98%	97%	114%	34%
Allied World	91%	93%	95%	14%
International Re/Insurers	99%	98%	99%	13%
Consolidated	95%	95%	98%	18%

Once again in 2022 Northbridge generated underwriting profit over $200 million. Its combined ratio was 89% and net premiums written grew 7%. Silvy Wright and her team have done an exceptional job building Northbridge and solidifying its position among the best-in-class commercial lines underwriting companies in Canada. Northbridge's direct writing subsidiary, Federated Insurance, led by George Halkiotis, enjoyed another banner year, posting a combined ratio of 89%.

Odyssey Group's combined ratio in 2022 improved to 96%, producing underwriting profit of $209 million. Net premiums written grew 22% as Odyssey expanded both its reinsurance and insurance segments. Catastrophe losses, including from Hurricane Ian and hailstorms in France, added eight points to Odyssey's combined ratio in 2022. Despite being a prominent writer of catastrophe risk, Odyssey has now recorded 11 straight years of underwriting profitability – an extraordinary track record few have achieved over the recent period of elevated catastrophe loss. Brian Young, Chris Gallagher and their teams have done a fantastic job building a highly disciplined, well-diversified global business.

Crum & Forster in 2022 produced a combined ratio of 95% and an underwriting profit of $190 million, easily the best performance for Crum over its 20-plus years as a Fairfax company. Crum continued to be led by its Accident and Health, Excess and Surplus Lines and Seneca divisions. Overall, Crum increased its net written premiums 20% in 2022, including strong growth in its cyber segment. The positive momentum Marc Adee has established over the last eight years is now paying off handsomely.

Zenith produced a combined ratio of 95% and an underwriting profit of $39 million in 2022. In the competitive workers' compensation business, growth has been hard to come by as rates have been declining for over six years. Kari Van Gundy and her team continue to explore a variety of initiatives to leverage their best-in-class capabilities and find new avenues to expand into.

At Brit, a combined ratio of 98% in 2022 produced an underwriting profit of $61 million. Due in large part to its recently launched Ki Syndicate, Brit grew its overall net written premiums by 34% in 2022. Ki continues to enjoy rewarding market acceptance, as the Mark Allan-led business grew its gross premiums written to $834 million in only its second year of operation. Catastrophe losses continued to take their toll on Brit's loss ratio, adding almost 11 points in 2022. Under new CEO Martin Thompson, actions are being taken to reduce the catastrophe exposure in the future.

Allied World produced $389 million of underwriting profit in 2022 from a combined ratio of 91%, also its best performance as a Fairfax company. After growing net premiums written 14% last year, Allied is now double in size from when we purchased it in 2017. Allied's expense ratio continued to decline in 2022, now running at an industry leading 20%. Lou Iglesias and his management team have done an outstanding job aggressively expanding over the last several years in the market segments which experienced the strongest growth.

Fairfax Asia grew net premiums written 25% in 2022, while posting an underwriting profit of $34 million at a combined ratio of 89%. Results benefited from a full-year contribution from Singapore Re, which was responsible for $25 million of the division's total underwriting profit. Credit to Philippe Mallier in his role as CEO of Singapore Re. And, of course, great credit to Mr. Athappan who continues to direct the overall operations of Fairfax Asia.

Colonnade, focused on Central and Eastern European countries, in 2022 delivered a combined ratio of 95% and an underwriting profit of $10 million. Led by Peter Csakvari, Colonnade has steadily expanded its portfolio and positioned itself for superior performance. In Ukraine, both ARX and Universalna produced positive results despite difficult conditions in the country. ARX, led by Andrey Peretyazhko, generated $10 million of underwriting profit at a combined ratio of 90%, while Universalna, run by Oleksiy Muzychko, produced $3 million of underwriting profit and a combined ratio of 92%.

Polish Re, led by Jacek Kugacz, generated $2 million of underwriting profit and a combined ratio of 98% in 2022.

Fairfax Latam, which includes operations in Chile, Argentina, Colombia and Uruguay, grew net premiums written 17% in 2022, producing $10 million of underwriting profit and a combined ratio of 96%. Fabricio Campos and his team and the Presidents of each of the Latam companies have done a superb job leading our insurance efforts in Latin America.

Both Colonnade and Fairfax Latam continue to work closely with Bijan Khosrowshahi, whose wealth of international experience has been invaluable. Bijan, along with Jean Cloutier, have been deeply involved with Gulf Insurance Group in the Middle East as well. After the acquisition of AXA Gulf (now GIG Gulf) in 2021, Gulf Insurance is one of the most prominent players in the region. Led by Khaled Al-Hasan, with Paul Adamson running GIG Gulf as a standalone unit, Gulf Insurance will be an increasingly important contributor to Fairfax.

At Fairfax Brasil, results in 2022 were materially affected by the catastrophic drought which caused substantial losses in the agriculture segment. An underwriting loss of $35 million resulted from a combined ratio of 128%. Bruno Camargo has implemented numerous corrective actions to prevent a recurrence of this result.

In Greece, the property and casualty operations of Eurolife produced a 99% combined ratio and breakeven underwriting results in 2022. Run by Alex Sarrigeorgiou, Eurolife is also engaged in the life insurance business in Greece, which enjoyed an overall positive result.

In South Africa, Bryte experienced another challenging year in 2022. While its COVID losses stabilized, flooding in the eastern portion of the country caused large catastrophe losses. Bryte produced a 108% combined ratio and an underwriting loss of $23 million. Edwyn O'Neill and his team are intensely focused on the steps necessary to return Bryte to profitability in 2023.

All of our major companies are well capitalized, as shown in the table below (further detail is provided in the MD&A):

	As at and for the Year Ended December 31, 2022		
	Net Premiums Written	Statutory Surplus	Net Premiums Written/Statutory Surplus
Northbridge	Cdn 2,679	Cdn 2,255	1.2x
Odyssey Group	5,908	5,468	1.1x
Crum & Forster	3,658	2,046	1.8x
Zenith	740	709	1.0x
Brit	3,142	2,143	1.5x
Allied World	4,456	4,571	1.0x
Fairfax Asia	326	625	0.5x

On average we are writing at 1.2 times net premiums written to statutory surplus. All of our companies continue to be well capitalized even though we have grown significantly in the last five years.

The net premiums written and combined ratios of our companies which we have owned since 2013 (last 10 years), and of our major companies acquired since then, are shown in the table below:

	2013 – 2022	
	Cumulative Net Premiums Written *($ billions)*	Average Combined Ratio
Northbridge	Cdn 16.3	93%
Odyssey Group	32.3	93%
Crum & Forster	21.1	98%
Zenith	7.5	87%
Brit[1]	14.0	102%
Allied World[1]	17.2	98%
Total	108.4	96%

(1) Brit since acquisition on June 5, 2015, Allied World since acquisition on July 6, 2017

Only Brit has had a combined ratio greater than 100% since our purchase – due to larger than expected catastrophe losses. We expect this not to be repeated as Brit is reducing its catastrophe exposure significantly.

Since we began in 1985, we have written approximately $229 billion in gross premiums with a combined ratio of 99.2%. We have made up for the high combined ratios in our early years!!

The table below shows the average annual redundancies for the past 10 years (business written from 2012 onwards) for our companies which we have owned since 2012:

	2012 – 2021
	Average Annual Reserve Redundancies
Northbridge	8%
Odyssey Group	8%
Crum & Forster	3%
Zenith	18%
Fairfax Asia	19%

RiverStone, our run-off operation, continues to manage essentially all the latent reserves for the Fairfax group. Focusing every day on the settlement of some of the most difficult claims we have within the organization, Nick Bentley and his dedicated management team, including Bob Sampson, Matt Kunish and Debbie Irving, who have been with Fairfax on average for over 15 years, continue to drive value through their in-depth knowledge, hard work and experience. The industry continues to be challenging, especially in the United States with the plaintiff bar, armed with third-party litigation funding, continuing an aggressive push to create new mass torts. We continue to see development on asbestos claims as well as recent emerging claims such as molestation and opioids. Given

the nature of these claims, the results can be lumpy, with significant uncertainty around the eventual exposures and potential outcomes. RiverStone has been kept very busy focusing on our own latent claims and has not entered into any traditional third-party run-off acquisitions over the last number of years other than some small, very successful captive insurance deals. RiverStone's third-party administrator business did not achieve the growth targets it expected in 2022 due to a hard and competitive labour market, but continued to focus its resources on providing excellent service to its current customers. The third-party administrator business provides an additional revenue stream while redeploying RiverStone's experienced and valuable personnel. The team continues to deliver significant value and savings from its dedicated focus and best-in-class experience.

We have updated the float table that we show you each year for our insurance and reinsurance companies:

Year	Underwriting Profit	Average Float	Cost (Benefit) of Float	Average Long-Term Canada Treasury Bond Yield
1986	3	22	(11.6)%	9.6%
.				
.				
.				
2012	6	11,906	(0.1)%	2.4%
.				
.				
.				
2022	1,105	27,775	(4.0)%	2.8%
Weighted average last ten years			(2.5)%	2.2%
Fairfax weighted average positive financing differential last ten years: 4.7%				

Float is essentially the sum of loss reserves, including loss adjustment expense reserves, insurance contract payables and unearned premium reserves, less insurance contract receivables, reinsurance recoverables and deferred premium acquisition costs. Our long-term goal is to increase the float at no cost, by achieving combined ratios consistently well below 100%. This, combined with our ability to invest the float well, is why we feel we can achieve our long-term objective of compounding book value per share by 15% per annum. This no-cost float is perhaps one of Fairfax's biggest assets and will be a key reason for our success in the future. In 2022, our underwriting profit was a record $1.1 billion and our "cost of float" was a 4% benefit. In the past ten years, the largest benefit we had was 5.5% in 2015, which corresponded to a combined ratio of 90% and an underwriting profit of $705 million. We showed you earlier the growth in our float per share, and as we said, this is a huge plus for Fairfax.

The table below shows you the breakdown of our year-end float for the past five years:

	Insurance and Reinsurance									
Year	Northbridge	Odyssey Group	Crum & Forster	Zenith	Brit	Allied World	Other	Total Insurance and Reinsurance	Run-off	Total
					($billions)					
2018	1.7	4.7	2.9	1.2	2.8	5.1	1.3	19.7	3.0	22.7
2019	1.9	5.1	3.0	1.1	3.0	5.1	1.4	20.6	1.8	22.4
2020	2.1	5.9	3.3	1.1	3.2	5.7	1.4	22.7	1.6	24.3
2021	2.5	6.8	3.4	1.1	3.6	6.9	1.6	25.9	1.9	27.8
2022	2.6	8.0	4.2	1.1	4.1	7.9	1.7	29.6	1.6	31.2

Our float increased 12% in 2022 and 36% since 2017. It should increase significantly in the next few years as Northbridge, Odyssey, Crum & Forster, Brit, Allied World and our international operations expand organically. The float in Run-off decreased in 2022 due to the payment of claims.

The table below shows the sources of our net earnings (the $1.2 billion gain on the sale of our pet insurance business is shown separately as Gain on sale of insurance subsidiaries):

	2022	2021
Underwriting profit – property and casualty insurance and reinsurance	1,105	801
Interest and dividends	962	641
Share of profit of associates	1,015	402
Life insurance, and Run-off underwriting loss	(167)	(309)
Non-insurance operating income	61	65
Operating income	2,976	1,600
Interest expense	(453)	(514)
Corporate overhead and other expense	(296)	(403)
Net gains (losses) on investments	(1,734)	3,445
Gain on sale of insurance subsidiaries	1,220	264
Pre-tax income	1,712	4,393
Income taxes and non-controlling interests	(565)	(992)
Net earnings	$ 1,147	$3,401

In 2022, we had record operating income of $3.0 billion because of underwriting profit of $1.1 billion, interest and dividends of approximately $1.0 billion and share of profit from associates of approximately $1.0 billion. There is no certainty in life but we feel like this level of operating income may be repeatable in the next few years. Net gains or losses on investments (losses of $1.7 billion, mainly unrealized, in 2022) fluctuate on a yearly basis and only make sense in the long term.

Financial Position

The following table shows our financial position at the end of 2022 and 2021. When we have a controlling interest in a company (for example, Recipe or Thomas Cook India), we are required to consolidate that company's financial statements into our own financial statements even though we do not guarantee the debt – and quite often it is an investment in a public company. Consequently, this table excludes the debt of our consolidated non-insurance companies:

	2022	2021
Holding company cash and investments (net of derivative obligations)	1,326	1,446
Borrowings – holding company	5,888	5,338
Borrowings – insurance and reinsurance companies	733	791
Total debt	6,621	6,129
Net debt	5,295	4,683
Common shareholders' equity	15,341	15,050
Preferred stock	1,335	1,335
Non-controlling interests	1,969	2,931
Total equity	18,645	19,316
Net debt/total equity	28.4%	24.2%
Net debt/net total capital	22.1%	19.5%
Interest coverage	5.9x	13.0x
Interest and preferred share dividend coverage	4.9x	11.1x
Total debt/total capital	26.2%	24.1%

We ended 2022 with a very strong financial position, with $1.3 billion in cash and marketable securities plus an additional $1.0 billion of associates and consolidated investments held at the holding company (largely consisting of shares of Quess, Eurobank, Atlas and Thomas Cook India). Our total debt to total capital ratio in 2022 of 26% was a little higher than in 2021 due to our bond issue in August, and as our net profit in 2022 was less than in 2021, our interest coverage ratio was lower but still comfortable at 5.9 times versus 13.0 times in 2021. Our long-term (five-year) bank lines of $2.0 billion are unused and we have no significant debt maturities until 2024.

Investments

Recently I was going through a small booklet titled "John Templeton – Words of Wisdom" that Lauren Templeton, our Board member and the grand niece of Sir John Templeton, had put together. Sir John was my mentor for over 30 years and one of our largest shareholders in the first 15 years of our existence. We are giving each of the attendees at our upcoming annual shareholders' meeting a copy of this booklet. The following quote in the booklet caught my eye:

"Whenever you can buy a large amount of future earning power for a low price, you have made a good investment." December 1950

Of course, as I quoted Phil Carret in past annual reports, *"Good management is rare at best, it is difficult to appraise and it is undoubtedly the single most important factor in security analysis."*

Well, great leaders generate large amounts of future earnings that over time make current prices seem inexpensive. We have been blessed to know many of these exceptional leaders.

Here's how our great leaders performed in 2022:

Atlas, led by David Sokol and Bing Chen, had an outstanding year in 2022. Seaspan, the containership leasing company owned by Atlas, successfully executed on its newbuild program by delivering nine vessels, 115,400 TEU total, all ahead of schedule and each commencing their scheduled long-term charters. Execution of the remainder of Seaspan's newbuild program remains on track, with the expected delivery of an additional 22 vessels in 2023 and 36 vessels in 2024. Atlas' other business, APR Energy, continued to pivot to long-term predictable cash flow opportunities. In 2022, APR Energy extended two existing contracts to greater than three years in length and renewed numerous contracts with existing customers. The newbuild program at Seaspan is expected to push Atlas to more than $2 billion of revenue and $1.75 billion of adjusted EBITDA in 2025. This is a continuation of the consistent operational excellence that David and Bing have delivered together with creative turnkey solutions for their customers.

2022 was an active and successful year for Alan Kestenbaum and the talented team at Stelco. The company ended the year with its second-best fiscal result since going public despite an approximately 50% decline in steel prices over the summer. Stelco is benefiting from the Cdn$900 million it has invested in its Lake Erie Works mill since 2017, which has made the mill one of the lowest-cost operators in North America. Stelco entered 2022 with an extremely strong balance sheet and put its capital to good use, completing three substantial issuer bids during the year, thereby repurchasing approximately 29% of its outstanding shares. These repurchases have resulted in Fairfax's ownership increasing to 24% from 17% at the beginning of the year. In addition to share repurchases, Stelco paid a Cdn$3 per share special dividend and increased its regular dividend to Cdn$1.68 per share from Cdn$1.20 per share. Stelco maintains over Cdn$700 million of net cash on its balance sheet and we anticipate that it will continue to be active both investing in its operations and efficiently returning excess capital to shareholders. We are excited to continue as a significant investor in Alan Kestenbaum's leadership at Stelco.

Eurobank, under Fokion Karavias' leadership, also had an outstanding year in 2022 at every level. After years of hard work, the bank reported strong profitability with returns on tangible equity of 11.4%, lower bad debts (NPE ratio down from 7% to 5%) and strong capital levels (CET 1 ratio up from 12.7% to 15.2%). This was achieved while maintaining the lowest cost-to-income ratio amongst its Greek peers and growing core lending volumes. Greece itself had a strong 2022 with GDP growth (about 6%) ahead of nearly all its OECD peer group, and the debt-to-GDP ratio expected to fall to 170% and fall again in 2023 to 160%. We expect that Greece will achieve investment grade status within the next 12 to 24 months despite the external pressures from inflation and the Ukraine war. Looking ahead, Greece will have elections in the first half of 2023 and we believe the Greek people will recognise the achievements of Prime Minister Mitsotakis and re-elect him for a second term with a majority. Even with Eurobank stock hitting recent highs of €1.45, the shares have a long way to go as Eurobank will likely earn over 20 euro cents per share in 2023.

Recognizing the outstanding results achieved at Grivalia Hospitality by George Chryssikos, Vice Chair of Eurobank, in 2022 we increased our ownership to 78%. Grivalia Hospitality is a leading investor in Greece's booming ultra-luxury hotel space, with three operating assets and seven under development. You will remember that George ran Grivalia Properties, a public company of which we owned 51%. Eurobank and Grivalia Properties merged in 2019 when Eurobank needed capital. The gains from Grivalia Properties and the Eurobank shares we acquired on the merger have resulted in a total gain to Fairfax of approximately $1 billion. We gratefully add George's name to Richie Boucher's from the Bank of Ireland, who was our first billion dollar man.

After two years of pandemic-related closures, 2022 represented a return to normalcy for Recipe. System sales increased to Cdn$3.4 billion, up 27% from 2021 and 2.4% higher than 2019! The surge of business that developed

post-lockdown offset the dining room closures that lasted most of the first quarter of 2022. Frank Hennessey and his team at Recipe continue to do an excellent job managing profitability in the face of high food and labour inflation. Now as a private company, management is focused on returning the company to pre-COVID level profitability, optimizing the brand portfolio to maximize cash flows and accelerating the growth of the most popular and emerging brands.

Sporting Life Group had another highly successful year in 2022. CEO Chad McKinnon and his management team, including Freddie Lecoq and Barry Williams, continued to produce outstanding results by delivering the company's second-best revenue year. Bill Gregson, former CEO of Forzani, Recipe and The Brick, continues to be our trusted consultant on all things retail and real estate-related in Canada. We are very happy to have him in our corner. The substantial free cash flow generated by the business over the last few years allowed Sporting Life Group to repurchase the shares of one of our previous partners. With the business now totally under our ownership, Sporting Life Group is back to growth, with new Sporting Life locations opened in 2022. We expect the growth to continue in 2023 with some exciting initiatives to be announced soon!

Dexterra is on track to achieve its vision of becoming a leader in delivering quality solutions to create, manage and operate infrastructure. John MacCuish is retiring after an outstanding performance for us, from rescuing Carillion from bankruptcy to the merger with Horizon North to form Dexterra. A big thank you to John for his leadership and dedication to Dexterra and best wishes to him and his family for a long and healthy retirement. The new CEO Mark Becker has been a senior leader in the organization for several years and is supported by three strong business unit Presidents. Dexterra closed two important integrated facilities management acquisitions early in the year and, coupled with organic growth, this strategic business unit almost doubled in size in 2022. The workforce accommodations segment also continued to build market share and deliver strong profitability while capitalizing on higher activity levels in Canada's resource industries, although Dexterra's modular business experienced short-term profitability challenges given high inflation and supply chain disruptions. Management expects to continue to build its modular platform and diversify its product mix, with strong demand for social and affordable housing across Canada.

John Chen continues to strengthen BlackBerry in its two high growth markets – cybersecurity and embedded operating systems for the automotive industry. Within its Internet of Things, expanding further into verticals like medical, industrial and aerospace remain opportunities to accelerate growth. Its patent portfolio monetization is expected to occur in 2023 after some hurdles in 2022.

Fairfax continues to jointly own Peak Achievement with its partner, Sagard Holdings. Peak's core brands are Bauer, the leading hockey brand, and Maverik, a leading lacrosse brand. Peak also owns a minority investment in Rawlings, which is the number one brand in baseball. Fairfax paid $154 million for its stake in Peak in 2017. Since that time, EBITDA has increased steadily in the hockey and lacrosse businesses, and Fairfax has received $54 million in dividends. The current inflationary environment has highlighted the strength of Peak's brands as demand for its products has accelerated even as the company has raised prices. More to come under CEO Ed Kinnaly's leadership, with opportunities in direct-to-consumer business, apparel and the overseas demand for innovative hockey equipment.

We continue to invest with Byron Trott through various BDT Capital funds. Since 2009, we have invested $772 million, have received $960 million in distributions and still have investments with a year-end market value of $508 million. Byron and his team have generated fantastic long-term returns for Fairfax, and we very much look forward to our continued partnership.

Since we met Bill McMorrow and Kennedy Wilson in 2010, we have invested $1.2 billion alongside with them in real estate, have received cash proceeds of $1.1 billion and still have real estate worth about $570 million. Our average annual realized return on completed projects is approximately 22%. We also own 10% of the company. More recently we have been investing with Kennedy Wilson in first mortgage loans secured by high quality real estate in the western United States, Ireland and the United Kingdom with a loan-to-value ratio of 60% on average. At the end of 2022, we had invested in $2.0 billion of mortgage loans in the U.S. at an average yield of 8.1% and an average maturity of 1.7 years, and in approximately $350 million of mortgage loans in the U.K. and Europe at an average yield of 6.0% and an average maturity of 2.5 years.

During 2022 we converted our preferred share and warrant investment in Altius Minerals to a 14% equity interest in the company. Brian Dalton and his team celebrated Altius' 25th anniversary in the summer of 2022, and there was much to cheer about. The company's royalty business model continues to ride the wave of commodity price inflation and expected project expansions (no funding required from Altius!) to meet the demands of a decarbonizing world. Altius' renewable energy royalty business is also generating meaningful momentum.

Fairfax owns 44% of Exco Resources, a U.S. oil and gas producer. In 2022, Exco reacted to surging energy prices by accelerating drilling. Over the year, daily net production increased 60%. Despite far greater activity, Exco completed another year with zero OSHA recordable incidents for company employees. In 2022, Exco added approximately twice as much to its reserves as it extracted through production, and the PV-10 value of reserves doubled year over year. Exco remains financially sound, generating strong cash flow and using modest leverage. Led by Chairman John Wilder and CEO Hal Hickey, with our Wendy Teramoto and Peter Furlan as Board members, Exco continues to control costs and drill high return wells. John and Hal are great leaders and Fairfax is well served by their stewardship.

It was an eventful year for the team at Foran Mining, led by its CEO, Dan Myerson, and its founder, Darren Morcombe, as the company made progress advancing its world-class McIlvenna Bay carbon neutral copper project in Saskatchewan. McIlvenna Bay is located in the prolific Flin Flon Greenstone Belt, a region that has produced 320 million tonnes of copper ore. Foran's McIlvenna Bay project is currently estimated at 40 million tonnes, but could become even larger if recent drilling results at the adjacent Tesla deposit are any indication. McIlvenna Bay has attractive economics with low expected costs. Foran made tremendous progress financing the first phase of McIlvenna Bay, entering into a term sheet with Ontario Teachers Pension Plan for an investment of up to Cdn$200 million for a 19.99% interest in the McIlvenna Bay project. The Ontario Teachers' investment helps validate the project and implies a total project value of Cdn$1 billion. In addition to the Ontario Teachers' financing, Foran announced a $150 million credit facility with Sprott Asset Management. In order to help facilitate the two transactions, Fairfax exercised its warrants early, purchasing 16 million shares at a price of Cdn$2.09 per share. As a result of exercising the warrants, Fairfax's ownership in Foran has increased to 27.9% from 23.1%. McIlvenna Bay is now effectively fully financed and the project is on track to begin operations in 2025.

Commercial International Bank continued to strengthen its position in 2022. With a foreign exchange squeeze and an eventual currency devaluation in Q4, the Egyptian economy was very weak for most of 2022. Nonetheless, CIB increased its loan book by 35% and earnings by 21% during the year – a testament to Hussein Abaza's strong leadership. With an expected return on equity of 25% for the year, CIB's mid-year valuation at 1 times book value looked ridiculous. Things changed dramatically in Q4 and into the new year with the share price up over 100% – in February it was almost EGP 60 per share. The shares still appear attractive at 2 times book value and 8 times 2023 expected earnings. Do not call it a comeback but founder Hisham Ezz Al-Arab is now back at CIB as Chairman. We continue to expect CIB's book value to compound at high double-digit rates as it has for over 20 years.

The Helios Fairfax Partners team led by Tope Lawani and Babatunde Soyoye continued to make significant progress during 2022 on two fronts. First, its exposure to its legacy asset, Atlas Mara, was eliminated, with recoveries of $58 million received during the year in addition to $10 million from other asset disposals. Second, new investments such as NBA Africa and Trone continue to appreciate. Investments made during 2022 included Event Horizon Entertainment (part of Helios' emerging Entertainment platform along with NBA Africa) and Digital Ventures. While the dramatic rise in global interest rates has put downward pressure on valuations of Helios' portfolio and as a result its net asset value, these investments should be value accretive for shareholders in the long run as more and more opportunities bubble to the surface. Helios remains the only dedicated African investment vehicle with scale and cash to deploy.

AGT, run by founder and CEO Murad Al-Katib, had a record year in 2022, with EBITDA of over Cdn$150 million. This is a dramatic improvement from the time of the take-private transaction almost four years ago when the business was generating slightly over Cdn$60 million in EBITDA. This growth in EBITDA was driven by strong processing margins as the global market for pulses (beans, lentils and peas) has continued to normalize after the initial disruption of import tariffs being implemented by the world's largest consumer of pulses, India. AGT also had stronger profitability in its expanding bulk handling and packaged foods and ingredients segments and is a key supplier for global humanitarian programs in Ukraine, Syria and Afghanistan and famine relief programs for the Horn of Africa. One of AGT's largest processing facilities is located in Mersin, Turkey. While staff and the plant itself were not harmed, we are deeply saddened by the tragedy caused by the earthquakes in southern Turkey. AGT has committed to use its extensive infrastructure to help in the relief efforts. Fairfax has an approximate 60% stake in AGT and we are excited by the ever increasing plant-based applications in everyday food and by AGT's growing pasta business.

Farmers Edge had a very challenging year in 2022. Unfortunately, the performance since the IPO in 2021 has been extremely disappointing. Vibhore Arora, former Country Leader of Amazon Canada, took over as CEO of Farmers Edge in June with the goal of growing new acres, improving execution, product delivery and the customer experience, building enterprise partnerships and a new management team and right sizing the cost structure. We are very excited about the initiatives taken already to move the business on a pathway towards positive cash flow

generation. FarmCommand is a leading precision farming application and we are pleased to see that Vibhore has been successful at refining the business strategy, which is key for reducing the cash burn rate and bringing in new elements for future success.

Boat Rocker Media, led by John Young as CEO and Co-Chairmen and founders David Fortier and Ivan Schneeberg, produced a company record five premium scripted dramas during the year: Beacon23, Slip, Robyn Hood, Orphan Black Echoes and American Rust season two. The Kids and Family and Representation businesses also produced steady cash flow for the company. To address the disappointing performance since the IPO, management is refocusing the business on its cash generating units in an effort to harvest cash to redeploy in exciting IP opportunities in the future. Despite the much-discussed pullback in streaming budgets, the demand for content continues to grow.

Since 2008 we have invested with founder Kyle Shaw and his private equity firm ShawKwei & Partners. ShawKwei takes significant stakes in middle-market industrial, manufacturing and service companies across Asia, partnering with management to improve their businesses. We have invested $422 million in two funds (with a commitment to invest an additional $178 million), have received cash distributions of $203 million and have a remaining value of $366 million at year-end. The returns to date are primarily from our investment in the 2010 vintage fund, which, increasing 46% in value in 2021 but decreasing 28% in value in 2022, has generated a 14% compound annual return since 2010. The 2017 vintage fund, which has drawn about 55% of committed capital to date, increased 31% in value in 2022 – mainly from its investment in CR3 – but still has a compound annual return of approximately minus 7% since inception.

Led by its outstanding Chairman and CEO Krishan Balendra, John Keells Holdings is the largest listed conglomerate in Sri Lanka, with a significant presence in leisure, consumer foods, retail, transportation, property and financial services and a great long-term record. In the middle of the external crisis faced by Sri Lanka, the company raised $75 million in equity capital, entirely provided by Fairfax, to fund the upcoming West Container terminal in the port of Colombo. This investment was made in the form of convertible debentures having the option to convert any time after 18 months from the date of issuance at a price of Sri Lankan Rs130 per share. Fairfax, through its direct and indirect holdings, has a 13% equity interest in the company currently which would increase to 24.5% upon full conversion. I believe that Sri Lanka will continue to be resilient and overcome the current challenges, as it has done on numerous occasions in the past, and that the country will soon begin again to realize its tremendous potential. John Keells Holdings is well-positioned to benefit from the revival of the Sri Lankan economy.

I have mentioned to you that the renaissance of value investing may have begun in 2021: it has carried forward through 2022 and now into 2023. Tech stocks, cryptocurrency and other speculations have come down significantly from their highs – in spite of the rebound in the last few months. The table below shows you that even the FAANG stocks and Microsoft have come down significantly from their highs. Companies like Zoom and Shopify that hardly make any earnings have come down very significantly. The crash in the dot.com bubble in 2000 may be a guide: the NASDAQ dropped 50% from its high in 2000 and then dropped another 50% in the next two years. Companies that had no earnings mostly disappeared (a major exception being Amazon) and even Microsoft did not reach its 2000 high price of $60 for another 16 years. Caveat emptor! As Ben Graham said years ago, human nature has not changed at all over all these years.

	Market Cap at March 3, 2023	2021 High Stock Price	Stock Price at March 3, 2023	% Decline from High
	($ billions)	*$*	*$*	
Alphabet	1,202	151	94	-38%
Amazon	972	189	95	-50%
Apple	2,390	182	151	-17%
Meta	480	384	185	-52%
Netflix	140	701	315	-55%
Microsoft	1,900	350	255	-27%
Zoom	21	452	71	-84%
Shopify	61	176	43	-75%
Pinterest	18	90	26	-71%
Tesla	626	414	198	-52%
Ark Innovation	8	160	40	-75%
Lemonade	1	188	16	-92%
Palantir	18	45	8	-82%
Bitcoin		68,992	22,241	-68%

Many of the stocks that we own like Atlas, Eurobank and Stelco did very well in 2022 and we expect that to continue.

In last year's annual report, we mentioned inflation and higher interest rates as the big risk we face. The risk is still the same. As rates go higher, they will have an impact on the economy – 4% across the curve does not seem to do it! Higher rates will destroy the speculation we continue to see in areas such as high tech, SPACs and cryptocurrency. Credit also may be very vulnerable to higher rates as the economy goes into recession. Credit has been very easy all over the world with very low interest rates. While it is difficult to predict, we will not be surprised at a black swan event that arises in the credit area, particularly in the U.S. and Europe, because of the "easy money" that has prevailed for the past decade. Higher interest rates may reveal some "Ponzi" financial structures that we cannot see today!

Our team at Hamblin Watsa led by Wade Burton, with strong support from Lawrence Chin, Roger Lace and Brian Bradstreet, continues to navigate the uncertain economic environment while providing excellent returns for you, our shareholders.

Shown below are the Hamblin Watsa professionals with their individual areas of focus:

Hamblin Watsa Professionals	Responsibility
Wade Burton and Lawrence Chin	United States and Canada (stocks & bonds)
Reno Giancola	Canada (stocks & bonds)
Jamie Lowry and Ian Kelly	Europe (stocks & bonds)
Quinn McLean	Middle East, South Africa and private companies
Yi Sang	Asia (stocks & bonds)
Gopalakrishnan Soundarajan	India (stocks & bonds)
Jeff Ware	South America (stocks & bonds)
Wendy Teramoto	Private companies
Peter Furlan	Chief Research Officer
Paul Ianni	Private and public companies
Davis Town	Public companies
Joe Coccimiglio	Private and public companies
Nav Sidhu	Private and public companies
Paul Blake	Stock trading
Kleven Sava	Bond trading

The team has really jelled under Wade and Lawrence and its members are empowered in their respective areas of responsibility. Roger Lace, Brian Bradstreet, Chandran Ratnaswami and I continue to manage the rest of the portfolio with much input from Wade and his team. We now have a small investment committee consisting of Wade Burton, Roger Lace, Brian Bradstreet, Lawrence Chin, Chandran Ratnaswami, Quinn McLean, Peter Clarke and me that reviews large investments, asset mix, regulatory requirements and performance. While committee decision-making in investments has some serious performance risks in our mind, we use this format solely to share information and discuss the pros and cons of any investment. And importantly, our empowering portfolio management structure fosters an entrepreneurial spirit and allows our individual team members to perform well using both a collaborative and an independent approach. We are excited about the future returns we expect from our investment team.

Miscellaneous

As expected, we maintained our dividend of $10 per share in 2022 and used our excess cash flow to buy back 387,790 shares in the market. Since we began paying cash dividends, we have paid cumulative dividends of $3.4 billion or $152 per share. Our book value per share would have been $152 per share or 23% higher if we had retained all our earnings. Don't forget the dividends in your return calculation!

The huge strength of our company – and impossible to copy – is the fair and friendly culture we have built in each of our companies over the past 37 years. Fairfax, our holding company, is led by Peter Clarke and our 11 outstanding Fairfax officers who have the highest integrity, team spirit and no ego. We are focused on protecting our company from unexpected downside risks and very quickly taking advantage of opportunities when they arise. On average, our officers have been with us for 19 years. The bedrock of our company is trust with a long term focus.

In early 2022 we were lucky enough to hire Sanjay Tugnait as President and CEO of Fairfax Digital Services – a new role for Fairfax. Sanjay has years of experience and knowledge in the digital space and has provided our companies with many introductions to the vast contacts he has in the industry. Sanjay works with our companies assisting in their digital initiatives and progressing all things digital at Fairfax – always in our decentralized style.

We were very saddened earlier this year with the passing of Alan Horn. Alan served as an independent Board member and Chair of our audit committee from 2008 to 2018 and was a Board member of Fairfax India since its inception. We benefited greatly from Alan's business acumen, guidance and commitment to excellence. Alan was a trusted advisor and dear friend of Fairfax.

We are honoured that Brian Porter, who earlier this year retired as CEO of Scotiabank after ten years as President and CEO and a 40-year career at the Bank, has agreed to join our Board as an independent director. Brian will be an excellent addition to our Board, as he is very comfortable with the Fairfax culture and we will benefit from his vast business experience.

I am pleased to announce that late in 2022 we updated our ESG report, which illuminates the many ways in which our companies support and advance the objectives on which ESG is focused. We believe – and always have – in doing good by doing well. You can read our full ESG report on our website www.fairfax.ca.

We continue to be involved in the BlackNorth initiative. As mentioned last year, the BlackNorth initiative seeks to drive social change, starting in Canadian boardrooms. Continued progress has been made to address and improve the lives and increase the opportunities of members of the black community. Craig Pinnock, Northbridge's CFO, continues to chair the Black Initiative Action Committee within our group of companies, and our companies continue to make progress in line with that committee's recommendations. Many of these actions are listed in our above-mentioned 2022 Fairfax ESG report.

We continue to focus on how Fairfax can survive for the next 100 years, long after I have gone! Our outstanding culture and my effective voting control will certainly help. As I have mentioned many times in the last 37 years, you, our shareholders, suffer a major negative as our company is not for sale at any price. Of course, we have to perform for you over time and we plan to do exactly that in the long term.

You will be interested in some of the cumulative numbers over Fairfax's 37 years. Over that time, we have written cumulative premiums of $229 billion while providing outstanding service to our customers. We are paying annual salaries and benefits to our employees all over the world of $3 billion. We have made cumulative donations of $288 million since we began our donations program in 1991 and, yes, over the 37 years we have paid cumulative taxes of $4.3 billion. This is why we consider business a force for good and why countries that are business friendly succeed mightily. We are a small microcosm of what business does worldwide.

Our donations program continues to thrive in the communities where we do business all over the world. In our decentralized structure, each company and its employees make decisions on charitable endeavors that are most important to them and the communities in which they live and work.

I need to especially highlight the important work that we are doing on behalf of our over 1,500 employees (over 5,000 including family members) in Ukraine, following Russia's brutal invasion in February 2022. Spontaneously, all our companies, from Colonnade in Eastern Europe to Dublin and across the world, sprang into action to help our Ukrainian companies. Along with our entire global network, our three CEOs in Ukraine – Andrey Peretyazhko, Oleksiy Muzychko and Svyatoslav "Slava" Yaroshevych, who lead our insurance companies which collectively form the largest property and casualty insurer in Ukraine – rose to the challenge in support of their employees, customers and communities. Within days of the invasion, a Fairfax Ukraine Support Team was established to advise and assist our people in the country. ffh Management Services in Dublin spearheaded the operational arm of the team and, with the help of the Colonnade leadership group, rapidly built a digital portal and dashboard to organize support requirements and available resources throughout Eastern Europe. Fairfax family volunteers emerged from across the globe offering their labour, their resources, and in a few instances their own homes – taking in women and children displaced by the war.

As the invasion expanded in both size and magnitude, Fairfax enlisted the support of experienced combat and crisis response leaders, including a renowned former Canadian General, a former U.S. Special Operations Commander and a team of global response and disaster management professionals. Jean Cloutier at Fairfax has been working together with the three CEOs and the Ukraine Support Team to help ensure the safety of our Ukrainian employees and their families. We owe a huge thank you to our Ukraine Support Team – please keep our Ukrainian CEOs, their employees and families and the people of Ukraine in your thoughts and prayers.

In 2022, we donated $26 million, for a total of $288 million since we began our donations program in 1991. Over the 32 years since we began our donations program, our annual donations have gone up approximately 147 times at a compound rate of 17% per year. We are now donating 2% of pre-tax profit each year to charities across the globe – 1% through each of our insurance companies and 1% through our Fairfax foundations. Allow me to highlight briefly just a few examples of our company donations:

The Northbridge Cares program focuses on empowering, educating and supporting Canadian at-risk youth, allowing them to reach their full potential. To facilitate this initiative, Northbridge partnered with six national organizations including Pathways to Education, ThriveYouth and Jack.org. In 2022, noting that food insecurity had become a major concern for youth and families across Canada, Northbridge made a special donation to Food Banks of Canada in addition to the charities it supports annually.

In 2022, the Odyssey Group Foundation continued its support for charitable organizations focused on healthcare, food, shelter, community and human services, education, disaster relief and cancer research. Most notable was its pledge of $10 million to Stamford Health to construct the Odyssey Group Breast Cancer Center and address the growing need for breast cancer treatment. Other new beneficiaries included Blood Cancer UK to support The Matthew Wilson Multiple Myeloma Fund, and the International Committee of the Red Cross to support humanitarian efforts in the Ukraine region. The Foundation's long-term partners include Americares, Institut Pasteur, The Actuarial Foundation and St. John's School of Risk Management.

Crum & Forster supports charitable organizations across the United States through giving at the corporate level, the business unit level and the employee level, where employees take a leadership role in directing donations through the Charitable Impact Committee. In 2022, that Committee received over 65 nominations from Crum & Forster employees and voted on which 18 causes to support, including Peoples Oakland, a holistic wellness and recovery center serving people with chronic and severe mental illness; Warrior Ranch Foundation, which provides equestrian workshops to military veterans and first responders in order to combat trauma; and H.O.P.E. Inc. (Helping Other People become Empowered), which assists single parents in supporting their children and planning for a bright future. In 2022, Crum & Forster celebrated its historic 200th anniversary at Ellis Island with its employees, business partners and Fairfax. As part of the celebration, the company donated to the Ellis Island Foundation and attendees crafted hearts with inspirational messages, directed by Hearts of Hope, an organization that distributes these symbols of support to their charitable partners.

Zenith employees came together in 2022 for their third annual Give Together Campaign, raising money and awareness for both the Boys and Girls Clubs of America and Meals on Wheels America. The Boys and Girls Clubs of America seek to ensure the academic and personal success of every member while encouraging good character and a healthy lifestyle. Meals on Wheels America is an organization supporting more than 5,000 community-based programs dedicated to addressing senior isolation and hunger. This network serves virtually every community in America, delivering nutritious meals, friendly visits and safety checks to America's seniors, enabling them to live

nourished, independent and dignified lives. Zenith also made a special donation to the Red Cross for disaster relief efforts critically needed to stabilize and rebuild various communities, including those impacted by Hurricane Ian.

During 2022, Matthew Wilson and his family established The Matthew Wilson Multiple Myeloma Fund, working closely with Blood Cancer UK to support the search for earlier detection of blood cancers, enhanced quality of life for patients and research for new cures. Brit donated £550,000 to the Fund in 2022 and helped raise £2.5 million at a gala with a target of raising a further £2.5 million in 2023. Also in 2022, Brit donated to the Disaster Emergency Committee supporting the Ukraine Humanitarian Appeal, which aids those displaced by the conflict both inside Ukraine and in neighbouring countries, and continued to support its flagship initiative, the Soweto Academy, a school situated in the largest impoverished area in Africa, in order to fund teachers' salaries, school uniforms, equipment and pupil transport so that the Academy could continue its vital work in providing education and a safe haven from abuse and poverty.

In 2022, Allied World supported a variety of charities and community projects focused on education, healthcare and addressing social challenges. Beneficiaries included the Family Center, Habitat for Humanity, Make-A-Wish Foundation, The Matthew Wilson Multiple Myeloma Fund, Society for the Blind, St. Baldrick's Foundation and Support Dogs. A significant donation was also given to the International Rescue Committee to support critical aid for families displaced by the war in Ukraine. Additionally, Allied World continues to support the National Wildlife Federation in order to research how natural systems can be used as a risk mitigation tool, as well as Career Ready, a charity committed to providing every young person, regardless of background, the opportunity to kickstart a prosperous and rewarding future.

In 2022, RiverStone donated to over 60 organizations focusing on reducing food insecurity, providing educational opportunities, supporting veterans' needs and more in the communities where its associates live and work; made a special donation to aid the humanitarian crisis in Ukraine; and made its first-ever environmental grant to support the conservation of land, water and wildlife in southern New Hampshire; and continued its 3:1 donation matching benefit grant program and the associate-led Community Support Committee providing significant financial support to causes and organizations that are important to its associates.

As the Fairfax company in closest proximity to the war in Ukraine, Colonnade's primary focus of charitable action in 2022 was to support our Ukrainian employees and their families, as well as Ukrainian society at large. In 2022, Colonnade facilitated and financed the relocation from Ukraine of 166 adults and 93 children to Poland, Slovakia, Hungary, Czech Republic, Romania and Bulgaria and made financial contributions to cover housing and general daily expenses. Matching employee donations, Colonnade built a fund which was used to purchase lifesaving medical equipment for Ukrainian hospitals. Besides financial contributions, more than 50 employees offered various other types of support: transportation, clothing, food, groceries, household equipment and volunteer mentor services for Ukrainian families and individuals in need.

Following one of the most devastating floods in South Africa's history, affecting the KwaZulu-Natal Province, Bryte supported the affected communities by donating to Gift of the Givers, which coordinated community support and recovery. Bryte also continued its focus on supporting youth development through ongoing investment in its partnership with the Maharishi Institute.

Through its subsidiaries and operating entities in nine regions, Fairfax Asia contributed significantly to charitable initiatives, education and catastrophe relief across the continent. Apart from these donations, Fairfax Asia also continued to participate in various programs such as environmental awareness, insurance awareness, road safety practices and disaster relief.

In Indonesia, AMAG distributed food packets and other relief items to victims of the Cianjur earthquake. AMAG also aided in distributing food packets to low-income members of society in Jakarta. In India, Paramount Health Services was involved in education programs, rural health awareness and food distribution programs. Fairfirst in Sri Lanka donated over 100 computers and related peripherals to various government departments, and held various multilingual education programs across the country promoting health and safety awareness, including driving safety. Falcon Hong Kong and Falcon Thailand were involved in various community relief, homeless shelter, food, medical care and educational programs across their respective countries.

At Fairfax Latin America and its subsidiaries in 2022, employees worked as a team to refurbish a neglected rural school in Colombia, giving more than 40 children a better place to study; through the Corazon Verde Foundation, educational support was provided to more than 100 orphans of the Colombian National Police force; ten scholarships were granted to young people from one of the most vulnerable areas of Uruguay to help foster a brighter future and break the cycle of poverty; and assistance was provided to children in Chile (and Ukraine) in various vulnerable situations, including children in foster homes, children with disabilities and children from

vulnerable communities. Additionally in 2022, Fairfax Latin America made a special donation to the Ministry of Social Policy to help Ukrainians through these difficult times.

Gulf Insurance Group and its subsidiaries, operating in 13 markets across the Middle East and North Africa region, made special contributions to the Masharee Al Khair charity organization in Kuwait and to the people of Ukraine impacted by the war, and contributed significantly to various initiatives in the fields of health, education, sports, environment, women's empowerment and other important causes, applying a "need-of-the-hour"-based approach to various initiatives in these markets both internally and externally.

In February 2023 Fairfax committed to a $1 million donation to the earthquake relief efforts in Turkey. We are deeply saddened by the devastation and loss of life from the February earthquakes, and wanted to assist in providing essential relief and rehabilitation services for people affected by this terrible tragedy.

Beginning in 2023 we will publish a separate report on our charitable givings and donation programs. We believe our shareholders and employees will enjoy seeing all the good our companies do by doing well.

The Fairfax Leadership Workshop continues to grow and develop our leaders of tomorrow. Because of the pandemic, we had not been able to hold in-person workshops for two years, but in 2022 we were able to hold our tenth workshop here in Toronto. In addition to the workshop we have for our senior leaders here in Toronto, each of our companies in every part of the world designs its own programs to meet its specific needs: for example, Fairfax Asia continues to train and develop its senior leaders through a leadership workshop that it has designed with their needs in mind. So far 216 people have gone through the Fairfax Leadership Workshop, ensuring that we provide our employees with the training and tools they need to successfully perform their duties and in turn provide our customers with unique and outstanding service. Our Presidents also work to ensure that the welfare and health of our employees is paramount in all that they do. Doing good by doing well!

As a result of the pandemic, we have recently been unable to hold our annual investor trip to India, but we plan to bring it back in 2024. Travel is opening up again and Thomas Cook India will offer you the trip of a lifetime!

The Value Investing Conference held by George Athanassakos the day before our annual shareholders' meeting will take place again this year – and finally in person! This will be its eleventh year and I highly recommend that you attend – it is well worth your time. If you have not attended in the past, please see the website for details: bengrahaminvesting.ca. Many who have participated have mentioned to me that it is one of the best of its kind, and this year's lineup of speakers, as usual, is outstanding. This year's featured keynote speakers are Howard Marks, Co-Chairman of Oaktree Capital Management, and Vicki Hollub, CEO of Occidental Petroleum.

Similarly to previous years, Fairfax India (of which many of you are also shareholders) will hold its annual shareholders' meeting at 2:00 p.m. (Toronto time) on the date of our annual shareholders' meeting, April 20: details will be posted on its website. Helios Fairfax Partners will hold its investor day at 2:30 p.m. on the day before, April 19: details will be posted on its website.

As we have done for the last 37 years, we look forward once again to seeing all of you in person at our annual shareholders' meeting in Toronto, where our leaders will be ready to answer all your questions. We are truly blessed to have loyal, long-term shareholders like you, and I look forward to seeing you on April 20.

March 10, 2023

V. P. Watsa

V. Prem Watsa
Chairman and Chief Executive Officer

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Management's Responsibility for the Financial Statements

The preparation and presentation of the accompanying consolidated financial statements, Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and all financial information are the responsibility of management and have been approved by the Board of Directors (the "Board").

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Financial statements, by nature, are not precise since they include certain amounts based upon estimates and judgments. When alternative methods exist, management has chosen those it deems to be the most appropriate in the circumstances.

We, as Fairfax's Chief Executive Officer and Chief Financial Officer, have certified Fairfax's annual disclosure documents filed with the Canadian Securities Administrators and the United States Securities and Exchange Commission (Form 40-F) in accordance with Canadian securities legislation and the United States Sarbanes-Oxley Act of 2002, respectively.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and MD&A. The Board carries out this responsibility principally through its Audit Committee which is independent from management.

The Audit Committee is appointed by the Board and reviews the consolidated financial statements and MD&A; considers the report of the independent registered public accounting firm; assesses the adequacy of the internal controls of the company, including management's assessment described below; examines the fees and expenses for audit services; and recommends to the Board the independent registered public accounting firm for appointment by the shareholders. The independent registered public accounting firm has full access to the Audit Committee and meet with it to discuss their audit work, Fairfax's internal control over financial reporting and financial reporting matters. The Audit Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders and management's assessment of the internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting.

Management has assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2022 using criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, management concluded that the company's internal control over financial reporting was effective as of December 31, 2022.

The effectiveness of the company's internal control over financial reporting as of December 31, 2022 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

March 10, 2023

V. Prem Watsa
Chairman and Chief Executive Officer

Jennifer Allen
Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Fairfax Financial Holdings Limited

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Fairfax Financial Holdings Limited and its subsidiaries (together, the Company) as of December 31, 2022 and 2021, and the related consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, including the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Estimation of reserves for incurred but not reported losses

As described in Notes 3, 4 and 8 to the consolidated financial statements, insurance contract liabilities include property and casualty reserves for incurred but not reported losses, net of reinsurance (IBNR reserves), of $18,139.4 million as at December 31, 2022. IBNR reserves are estimated by management based on Canadian accepted actuarial practices, which are designed to ensure the Company establishes an appropriate reserve on its consolidated balance sheet to cover insured losses and related claims expenses. Management determines the IBNR reserves based on undiscounted projected future cash flows of claims using significant assumptions that represent best estimates of possible outcomes aimed at evaluating the expected ultimate cost to settle unpaid claims that occurred on or before the consolidated balance sheet date but have not yet been reported. Management has applied varying actuarial projection methodologies in the estimation of IBNR reserves, based on product line, type and extent of coverage. These methodologies require management to develop significant assumptions including expected loss ratios and loss development patterns.

The principal considerations for our determination that performing procedures relating to the estimation of IBNR reserves is a critical audit matter are (1) the significant judgment by management to determine the IBNR reserves and (2) a high degree of auditor judgment, subjectivity and effort in evaluating audit evidence relating to the appropriateness of management's actuarial projection methodologies and significant assumptions including the expected loss ratios and loss development patterns. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's estimation of IBNR reserves, including controls over the selection of actuarial projection methodologies and the development of significant assumptions. These procedures also included, among others, the involvement of professionals with specialized skill and knowledge to assist in testing a significant portion of the IBNR reserves by developing independent estimates and comparing the independent estimates to management's actuarially determined reserves, with the remaining portion subjected to other procedures. Developing independent estimates involved (i) selecting the actuarial projection methodologies; (ii) developing significant assumptions based on data provided by management; (iii) where there was limited historical data, considering market views and peer company benchmarking to further inform independent development of significant assumptions; and (iv) testing the completeness and accuracy of the data provided by management.

Valuation of private placement debt securities and private company preferred shares

As described in Notes 3, 4 and 5 to the consolidated financial statements, the Company holds financial instruments categorized as private placement debt securities measured at fair value of $834.2 million and private company preferred shares measured at fair value of $1,798.3 million as at December 31, 2022. Valuation of private placement debt securities and private company preferred shares use valuation techniques that depend on the nature of the investment. Management uses unobservable inputs to develop assumptions for which market data is limited or unavailable. These investments are valued by management as follows: (i) private placement debt securities are valued primarily using industry accepted discounted cash flow models that incorporate credit spreads of issuers as a significant unobservable input, and (ii) private company preferred shares are valued using industry accepted discounted cash flow models that incorporate discount rates and long-term growth rates as significant unobservable inputs. The fair value determined using the discounted cash flow models are compared to recent market transactions, where applicable.

The principal considerations for our determination that performing procedures relating to the valuation of private placement debt securities and private company preferred shares is a critical audit matter are (1) the significant judgment by management in selecting the appropriate discounted cash flow models to determine or corroborate the fair value of these investments, which included significant unobservable inputs related to the credit spreads, discount rates and long-term growth rates of the issuers and (2) a high degree of auditor subjectivity, judgment and effort to evaluate the audit evidence related to the valuation. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the valuation of private placement debt securities and private company preferred shares, including controls over the Company's selection and preparation of the discounted cash flow models and determination of significant unobservable inputs. For a sample of private placement debt securities, these procedures included, among others, the involvement of professionals with specialized skill and knowledge to (i) assist in developing independent estimates using industry-accepted valuation models and (ii) independently develop assumptions such as credit spreads by considering, as applicable, current and past performance of the particular investment, relevant external market and industry data and evidence obtained in other areas of the audit. These procedures also included testing the completeness and accuracy of the underlying data supporting the independent estimates and comparing the independent estimates to management's valuation. For private company preferred shares, these procedures included, among others, (i) evaluating the reasonableness of the significant unobservable inputs used, including discount rates and long-term growth rates; (ii) testing the completeness and accuracy of the underlying data; and (iii) involving professionals with specialized skill and knowledge to assist in evaluating the appropriateness of the models used, the reasonableness of the discount rates and long-term growth rates and considering external market and industry data. This includes comparing management's estimate to the fair value implied by recent market transactions.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
March 10, 2023

We have served as the Company's auditor since at least 1985. We have not been able to determine the specific year we began serving as auditor of the Company.

Consolidated Financial Statements

Consolidated Balance Sheets

as at December 31, 2022 and December 31, 2021

	Notes	December 31, 2022	December 31, 2021
		(US$ millions)	
Assets			
Holding company cash and investments (including assets pledged for derivative obligations – $104.6; December 31, 2021 – $111.0)	5, 27	1,345.8	1,478.3
Insurance contract receivables	10	7,907.5	6,883.2
Portfolio investments			
Subsidiary cash and short term investments (including restricted cash and cash equivalents – $854.4; December 31, 2021 – $1,246.4)	5, 27	9,368.2	21,799.5
Bonds (cost $29,534.4; December 31, 2021 – $13,836.3)	5	28,578.5	14,091.2
Preferred stocks (cost $808.3; December 31, 2021 – $576.6)	5	2,338.0	2,405.9
Common stocks (cost $5,162.6; December 31, 2021 – $4,717.2)	5	5,124.3	5,468.9
Investments in associates (fair value $6,772.9; December 31, 2021 – $5,671.9)	5, 6	6,091.3	4,755.1
Derivatives and other invested assets (cost $869.8; December 31, 2021 – $888.2)	5, 7	828.5	991.2
Assets pledged for derivative obligations (cost $52.4; December 31, 2021 – $119.6)	5, 7	51.3	119.6
Fairfax India cash, portfolio investments and associates (fair value $3,079.6; December 31, 2021 – $3,336.4)	5, 6, 23, 27	1,942.8	2,066.0
		54,322.9	51,697.4
Deferred premium acquisition costs	11	2,170.3	1,924.1
Recoverable from reinsurers (including recoverables on paid losses – $1,454.2; December 31, 2021 – $884.3)	8, 9	13,115.8	12,090.5
Deferred income tax assets	18	492.1	522.4
Goodwill and intangible assets	12	5,689.0	5,928.2
Other assets	13	7,081.7	6,121.3
Total assets		92,125.1	86,645.4

See accompanying notes.

Signed on behalf of the Board

V. P. Watsa
Director

Bill McFarland
Director

	Notes	December 31, 2022	December 31, 2021
		(US$ millions)	
Liabilities			
Accounts payable and accrued liabilities	14	5,215.2	4,985.4
Derivative obligations (including at the holding company – $19.4; December 31, 2021 – $32.1)	5, 7	191.0	152.9
Deferred income tax liabilities	18	496.7	598.8
Insurance contract payables	10	5,061.9	4,493.5
Insurance contract liabilities	8	52,199.6	47,346.5
Borrowings – holding company and insurance and reinsurance companies	15	6,621.0	6,129.3
Borrowings – non-insurance companies	15	2,003.9	1,623.7
Total liabilities		71,789.3	65,330.1
Equity	16		
Common shareholders' equity		15,340.7	15,049.6
Preferred stock		1,335.5	1,335.5
Shareholders' equity attributable to shareholders of Fairfax		16,676.2	16,385.1
Non-controlling interests		3,659.6	4,930.2
Total equity		20,335.8	21,315.3
		92,125.1	86,645.4

See accompanying notes.

Consolidated Statements of Earnings
for the years ended December 31, 2022 and 2021

	Notes	2022	2021
		(US$ millions except per share amounts)	
Income			
Gross premiums written	10, 25	27,912.6	23,910.2
Net premiums written	25	22,271.7	18,278.1
Gross premiums earned		26,454.9	21,786.8
Premiums ceded to reinsurers		(5,448.8)	(5,228.8)
Net premiums earned	25	21,006.1	16,558.0
Interest and dividends	5	961.8	640.8
Share of profit of associates	6	1,014.7	402.0
Net gains (losses) on investments	5	(1,733.9)	3,445.1
Gain on sale and consolidation of insurance subsidiaries	23	1,219.7	264.0
Other revenue	25	5,581.6	5,158.0
		28,050.0	26,467.9
Expenses			
Losses on claims, gross	8	17,509.5	14,200.7
Losses on claims, ceded to reinsurers	9	(3,657.6)	(3,460.2)
Losses on claims, net	26	13,851.9	10,740.5
Operating expenses	26	3,057.5	2,946.1
Commissions, net	9	3,454.9	2,787.9
Interest expense	15	452.8	513.9
Other expenses	25, 26	5,520.9	5,086.9
		26,338.0	22,075.3
Earnings before income taxes		1,712.0	4,392.6
Provision for income taxes	18	425.2	726.0
Net earnings		1,286.8	3,666.6
Attributable to:			
Shareholders of Fairfax		1,147.2	3,401.1
Non-controlling interests	16	139.6	265.5
		1,286.8	3,666.6
Net earnings per share	17	$ 46.62	$ 129.33
Net earnings per diluted share	17	$ 43.49	$ 122.25
Cash dividends paid per share	16	$ 10.00	$ 10.00
Shares outstanding (000) (weighted average)	17	23,638	25,953

See accompanying notes.

Consolidated Statements of Comprehensive Income
for the years ended December 31, 2022 and 2021

	Notes	2022	2021
		(US$ millions)	
Net earnings		1,286.8	3,666.6
Other comprehensive income (loss), net of income taxes	16		
Items that may be subsequently reclassified to net earnings			
Net unrealized foreign currency translation losses on foreign subsidiaries		(673.7)	(199.5)
Gains (losses) on hedge of net investment in Canadian subsidiaries	7	149.5	(16.7)
Gains on hedge of net investment in European operations	7	51.8	63.9
Share of other comprehensive loss of associates, excluding net gains on defined benefit plans	6	(132.0)	(75.1)
Other		2.2	–
		(602.2)	(227.4)
Net unrealized foreign currency translation losses on foreign subsidiaries reclassified to net earnings	23	19.7	6.7
Net unrealized foreign currency translation gains on associates reclassified to net earnings	6	(4.3)	(45.2)
		(586.8)	(265.9)
Items that will not be subsequently reclassified to net earnings			
Net gains on defined benefit plans	21	121.7	88.2
Share of net gains on defined benefit plans of associates	6	59.4	67.0
Other		–	13.8
		181.1	169.0
Other comprehensive income (loss), net of income taxes		(405.7)	(96.9)
Comprehensive income		881.1	3,569.7
Attributable to:			
Shareholders of Fairfax		939.8	3,377.6
Non-controlling interests		(58.7)	192.1
		881.1	3,569.7

See accompanying notes.

Consolidated Statements of Changes in Equity

for the years ended December 31, 2022 and 2021
(US$ millions)

	Common shares[1]	Treasury shares at cost	Share-based payments and other reserves	Retained earnings	Accumulated other comprehensive income (loss)	Common shareholders' equity	Preferred shares	Equity attributable to shareholders of Fairfax	Non-controlling interests	Total equity
Balance as of January 1, 2022	6,182.4	(808.1)	504.8	9,972.2	(801.7)	15,049.6	1,335.5	16,385.1	4,930.2	21,315.3
Net earnings for the year	–	–	–	1,147.2	–	1,147.2	–	1,147.2	139.6	1,286.8
Other comprehensive income (loss), net of income taxes:										
Net unrealized foreign currency translation losses on foreign operations	–	–	–	–	(479.7)	(479.7)	–	(479.7)	(194.0)	(673.7)
Gains on hedge of net investment in Canadian subsidiaries	–	–	–	–	149.5	149.5	–	149.5	–	149.5
Gains on hedge of net investment in European operations	–	–	–	–	51.8	51.8	–	51.8	–	51.8
Share of other comprehensive loss of associates, excluding net gains on defined benefit plans	–	–	–	–	(120.7)	(120.7)	–	(120.7)	(11.3)	(132.0)
Net unrealized foreign currency translation losses on foreign subsidiaries reclassified to net earnings	–	–	–	–	19.7	19.7	–	19.7	–	19.7
Net unrealized foreign currency translation gains on associates reclassified to net earnings	–	–	–	–	(3.9)	(3.9)	–	(3.9)	(0.4)	(4.3)
Net gains on defined benefit plans	–	–	–	–	116.9	116.9	–	116.9	4.8	121.7
Share of net gains on defined benefit plans of associates	–	–	–	–	57.8	57.8	–	57.8	1.6	59.4
Other	–	–	–	–	1.2	1.2	–	1.2	1.0	2.2
Issuances for share-based payments	–	62.4	(70.2)	–	–	(7.8)	–	(7.8)	5.3	(2.5)
Purchases and amortization for share-based payments (note 16)	–	(148.2)	146.1	–	–	(2.1)	–	(2.1)	(20.3)	(22.4)
Purchases for cancellation (note 16)	(96.1)	–	–	(103.5)	–	(199.6)	–	(199.6)	–	(199.6)
Common share dividends (note 16)	–	–	–	(249.9)	–	(249.9)	–	(249.9)	(263.2)	(513.1)
Preferred share dividends (note 16)	–	–	–	(45.2)	–	(45.2)	–	(45.2)	–	(45.2)
Acquisitions of subsidiaries (note 23)	–	–	–	–	–	–	–	–	111.5	111.5
Net changes in capitalization (note 16 and note 23)	–	–	37.6	(211.2)	–	(173.6)	–	(173.6)	(1,070.9)	(1,244.5)
Other	–	2.6	(2.6)	–	29.5	29.5	–	29.5	25.7	55.2
Balance as of December 31, 2022	6,086.3	(891.3)	615.7	10,509.6	(979.6)	15,340.7	1,335.5	16,676.2	3,659.6	20,335.8
Balance as of January 1, 2021	6,712.0	(732.8)	248.4	7,092.5	(799.0)	12,521.1	1,335.5	13,856.6	3,670.7	17,527.3
Net earnings for the year	–	–	–	3,401.1	–	3,401.1	–	3,401.1	265.5	3,666.6
Other comprehensive income (loss), net of income taxes:										
Net unrealized foreign currency translation losses on foreign operations	–	–	–	–	(123.3)	(123.3)	–	(123.3)	(76.2)	(199.5)
Losses on hedge of net investment in Canadian subsidiaries	–	–	–	–	(16.7)	(16.7)	–	(16.7)	–	(16.7)
Gains on hedge of net investment in European operations	–	–	–	–	63.9	63.9	–	63.9	–	63.9
Share of other comprehensive loss of associates, excluding net gains (losses) on defined benefit plans	–	–	–	–	(65.2)	(65.2)	–	(65.2)	(9.9)	(75.1)
Net unrealized foreign currency translation losses on foreign subsidiaries reclassified to net earnings	–	–	–	–	3.1	3.1	–	3.1	3.6	6.7
Net unrealized foreign currency translation (gains) losses on associates reclassified to net earnings	–	–	–	–	(45.6)	(45.6)	–	(45.6)	0.4	(45.2)
Net gains on defined benefit plans	–	–	–	–	82.8	82.8	–	82.8	5.4	88.2
Share of net gains (losses) on defined benefit plans of associates	–	–	–	–	68.3	68.3	–	68.3	(1.3)	67.0
Other	–	–	–	–	9.2	9.2	–	9.2	4.6	13.8
Issuances for share-based payments	–	57.3	(56.1)	–	–	1.2	–	1.2	(3.0)	(1.8)
Purchases and amortization for share-based payments (note 16)	–	(132.6)	104.1	–	–	(28.5)	–	(28.5)	6.8	(21.7)
Purchases for cancellation (note 16)	(529.6)	–	–	(528.5)	–	(1,058.1)	–	(1,058.1)	–	(1,058.1)
Common share dividends (note 16)	–	–	–	(272.1)	–	(272.1)	–	(272.1)	(155.4)	(427.5)
Preferred share dividends (note 16)	–	–	–	(44.5)	–	(44.5)	–	(44.5)	–	(44.5)
Acquisitions of subsidiaries (note 23)	–	–	–	–	–	–	–	–	7.5	7.5
Deconsolidation of subsidiaries (note 23)	–	–	–	–	–	–	–	–	(15.4)	(15.4)
Net changes in capitalization (note 16 and note 23)	–	–	208.4	323.7	20.8	552.9	–	552.9	1,226.9	1,779.8
Balance as of December 31, 2021	6,182.4	(808.1)	504.8	9,972.2	(801.7)	15,049.6	1,335.5	16,385.1	4,930.2	21,315.3

(1) Includes multiple voting shares with a carrying value of $3.8 at January 1, 2021, December 31, 2021 and December 31, 2022.

See accompanying notes.

Consolidated Statements of Cash Flows
for the years ended December 31, 2022 and 2021

	Notes	2022	2021
		(US$ millions)	
Operating activities			
Net earnings		1,286.8	3,666.6
Depreciation, amortization and impairment charges	26	683.6	930.4
Net bond premium (discount) amortization		(34.2)	65.0
Amortization of share-based payment awards		146.1	104.1
Share of profit of associates	6	(1,014.7)	(402.0)
Net deferred income taxes	18	(181.6)	339.0
Net (gains) losses on investments	5, 23	1,733.9	(3,445.1)
Gain on sale and consolidation of insurance subsidiaries	23	(1,219.7)	(264.0)
Loss on repurchase of borrowings	15	–	45.7
Net (purchases) sales of investments classified at FVTPL	27	(9,640.2)	2,614.4
Changes in operating assets and liabilities	27	3,820.1	2,986.9
Cash provided by (used in) operating activities		(4,419.9)	6,641.0
Investing activities			
Sales of investments in associates	6	192.9	809.2
Purchases of investments in associates	6	(363.5)	(175.4)
Net purchases of premises and equipment and intangible assets		(418.9)	(353.9)
Net sales of investment property		84.7	27.0
Purchases of subsidiaries, net of cash acquired	23	(229.9)	1,259.5
Proceeds from sale of insurance subsidiaries, net of cash divested	23	1,109.0	85.4
Proceeds from sale of non-insurance subsidiaries, net of cash divested	23	10.5	186.8
Cash provided by investing activities		384.8	1,838.6
Financing activities			
Borrowings – holding company and insurance and reinsurance companies:	15		
Proceeds, net of issuance costs		743.4	1,250.0
Repayments		(0.3)	(932.9)
Net repayments on holding company credit facility		–	(700.0)
Net repayments on other revolving credit facilities		(35.0)	(84.3)
Borrowings – non-insurance companies:	15		
Proceeds, net of issuance costs		47.0	499.1
Repayments		(25.3)	(593.9)
Net borrowings (repayments) on revolving credit facilities and short term loans		304.1	(262.0)
Principal payments on lease liabilities – holding company and insurance and reinsurance companies		(68.5)	(64.6)
Principal payments on lease liabilities – non-insurance companies		(138.9)	(162.8)
Subordinate voting shares:	16		
Purchases for treasury		(148.2)	(132.6)
Purchases for cancellation		(199.6)	(1,058.1)
Common share dividends	16	(249.9)	(272.1)
Preferred share dividends	16	(45.2)	(44.5)
Subsidiary shares:			
Issuances to non-controlling interests, net of issuance costs	23	167.5	1,603.2
Purchases of non-controlling interests	23	(1,384.7)	(233.0)
Sales to non-controlling interests		–	174.8
Dividends paid to non-controlling interests	16	(261.0)	(175.6)
Cash used in financing activities		(1,294.6)	(1,189.3)
Increase (decrease) in cash and cash equivalents		(5,329.7)	7,290.3
Cash and cash equivalents – beginning of year		11,685.4	4,467.1
Foreign currency translation		(236.1)	(72.0)
Cash and cash equivalents – end of year	27	6,119.6	11,685.4

See accompanying notes.

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1. Business Operations

Fairfax Financial Holdings Limited ("the company" or "Fairfax") is a holding company which, through its subsidiaries, is primarily engaged in property and casualty insurance and reinsurance and the associated investment management. The holding company is federally incorporated and domiciled in Ontario, Canada.

2. Basis of Presentation

The company's consolidated financial statements for the year ended December 31, 2022 are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, investment property and fair value through profit and loss ("FVTPL") financial assets and liabilities that have been measured at fair value.

The consolidated balance sheets of the company are presented on a non-classified basis. Assets expected to be realized and liabilities expected to be settled within the company's normal operating cycle of one year are considered current, including the following balances: cash, short term investments, insurance contract receivables, deferred premium acquisition costs, derivative obligations and insurance contract payables. The following balances are considered non-current: deferred income tax assets, goodwill and intangible assets and deferred income tax liabilities. All other balances are comprised of current and non-current amounts.

The holding company has significant liquid resources that are generally not restricted by insurance regulators. The subsidiary insurance and reinsurance companies are often subject to a wide variety of insurance and other laws and regulations that vary by jurisdiction and are intended to protect policyholders rather than investors. These laws and regulations may limit the ability of the insurance and reinsurance companies to pay dividends or make distributions to parent companies. The company's consolidated balance sheet and consolidated statement of cash flows therefore make a distinction in classification between the holding company and the insurance and reinsurance companies for cash and investments to provide additional insight into the company's liquidity, financial leverage and capital structure.

These consolidated financial statements were approved for issue by the company's Board of Directors on March 10, 2023.

3. Summary of Significant Accounting Policies

The principal accounting policies applied to the presentation of these consolidated financial statements and the methods of computation have been consistently applied to all periods presented unless otherwise stated, and are as set out below.

Consolidation

Subsidiaries – The company's consolidated financial statements include the assets, liabilities, equity, income, expenses and cash flows of the holding company and its subsidiaries. A subsidiary is an entity that the company controls. The company controls an entity when it has power over the entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Assessment of control is based on the substance of the relationship between the company and the entity and includes consideration of both existing voting rights and, if applicable, potential voting rights that are currently exercisable or convertible. The operating results of subsidiaries acquired are included in the consolidated financial statements from the date control is acquired (typically the acquisition date), and the operating results of subsidiaries divested are included up to the date control ceased. Any difference between the fair value of the consideration received and the carrying value of a divested subsidiary is recognized in the consolidated statement of earnings, and foreign currency translation gains (losses) of that subsidiary are recycled from accumulated other comprehensive income (loss) to the consolidated statement of earnings.

The consolidated financial statements were prepared as of December 31, 2022 and 2021 based on individual holding companies' and subsidiaries' financial statements at those dates. Accounting policies of subsidiaries have been aligned with those of the company where necessary. The company's significant operating subsidiaries are identified in note 29.

Non-controlling interests – Subsequent to initial recognition in a business combination, the carrying value of non-controlling interests is adjusted for the non-controlling interest's share of the subsidiary's comprehensive income (loss) and equity transactions. A non-controlling interest's share of such adjustments is based on its present ownership interest in the subsidiary after consideration of any applicable shareholders' agreements and other contractual arrangements. Effects of transactions with non-controlling interests are recorded in common shareholders' equity if there is no change in control.

Business combinations

Business combinations are accounted for using the acquisition method of accounting whereby the consideration transferred is measured at fair value at the date of acquisition. This consideration may include cash paid and the fair value at the date of exchange of assets given, liabilities assumed and equity instruments issued by the company or its subsidiaries. Directly attributable acquisition-related costs are recorded in operating expenses or other expenses in the consolidated statement of earnings as incurred. At the date of acquisition, the company recognizes the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired business. The identifiable assets acquired and liabilities assumed are initially recognized at fair value. For each business combination the company determines whether to initially record non-controlling interest at fair value or as the proportionate share of the identifiable net assets of the acquired subsidiary. If the consideration transferred is less than the fair value of identifiable net assets acquired, the excess is recognized in the consolidated statement of earnings.

An existing equity interest in an acquired subsidiary is remeasured to fair value at the date of the business combination with any gain or loss recognized in net gains (losses) on investments or in gain on sale and consolidation of insurance subsidiaries in the consolidated statement of earnings.

Goodwill and intangible assets

Goodwill – Goodwill is recorded as the excess of consideration transferred over the fair value of the identifiable net assets acquired in a business combination, less accumulated impairment charges, and is allocated to the cash-generating units expected to benefit from the acquisition for impairment testing. Goodwill is assessed annually for impairment or more frequently if there are indicators of impairment by comparing the carrying value of a cash-generating unit, inclusive of its allocated goodwill, to its recoverable amount, with any goodwill impairment measured as the excess of the carrying amount over the recoverable amount. An impairment loss is recorded in operating expenses or other expenses in the consolidated statement of earnings. Goodwill is derecognized on disposal of a cash-generating unit to which goodwill was previously allocated.

Intangible assets – Intangible assets are comprised primarily of customer and broker relationships, brand names, Lloyd's participation rights, computer software (including enterprise systems) and other acquired identifiable non-monetary assets without physical form.

Intangible assets are initially recognized at cost, or at fair value when acquired through a business combination. Intangible assets with a finite life are subsequently measured at cost less accumulated amortization and impairment, where amortization is calculated using the straight-line method over the estimated useful life, and carrying value is re-assessed when there are indicators of impairment. Indefinite-lived intangible assets are not subject to amortization and are assessed annually for impairment or more frequently if there are indicators of impairment. When the carrying value of an intangible asset exceeds its recoverable amount, an impairment loss is recorded in operating expenses or other expenses in the consolidated statement of earnings.

The estimated useful lives of the company's intangible assets are as follows:

Customer and broker relationships	8 to 20 years
Brand names and Lloyd's participation rights	Indefinite
Computer software	3 to 15 years

Brand names and Lloyd's participation rights are considered to be indefinite-lived based on their strength, history and expected future use.

Investments in associates

Investments in associates are accounted for using the equity method and are comprised of investments in corporations, limited partnerships and trusts where the company has the ability to exercise significant influence but not control. An investment in associate is initially recognized at cost and adjusted thereafter for the post-acquisition change in the company's share of net assets of the associate. The company's share of profit (loss) and share of other comprehensive income (loss) of associates are reported in the corresponding lines in the

consolidated statement of earnings and consolidated statement of comprehensive income, respectively. An existing equity interest in an acquired associate is remeasured to fair value at the date significant influence is obtained and included in the carrying value of the associate.

The fair value of associates is estimated at each reporting date using valuation techniques consistent with those applied to the company's other investments in equity instruments. See "Determination of fair value" under the heading of "Investments" in this note for further details. If there is objective evidence that the carrying value of an associate is impaired, it is written down to its recoverable amount, being the higher of the associate's fair value and value-in-use. The unrealized impairment loss is recognized in share of profit (loss) of associates in the consolidated statement of earnings. An impairment loss is reversed in future periods if the circumstances that led to the impairment no longer exist. The reversal is limited to restoring the carrying value to what it would have been had no impairment loss been recognized in prior periods.

Upon loss of significant influence, any retained equity interest classified as a financial asset is remeasured to fair value and all amounts previously recognized in other comprehensive income (loss) are recycled to the consolidated statement of earnings except those related to defined benefit pension or post retirement plans which are reclassified to retained earnings. Gains and losses on loss of significant influence or disposition of an associate are recognized in net gains (losses) on investments in the consolidated statement of earnings.

Investments in joint ventures

Investments in joint ventures are accounted for using the equity method (as described in the preceding paragraphs) and are comprised of investments in corporations and limited partnerships where the company has joint control together with one or more third parties by contractual agreement. Joint control requires the unanimous consent of all parties sharing control to make decisions regarding the joint venture's relevant activities. When a subsidiary constituting a business is contributed to a joint venture, any gain or loss on derecognition of the subsidiary, including recycling of applicable amounts in accumulated other comprehensive income (loss) and remeasurement to fair value of any retained interest in the subsidiary, is recognized in the consolidated statement of earnings. Upon loss of joint control, any retained equity interest classified as a financial asset is remeasured to fair value and all amounts previously recognized in other comprehensive income (loss) are reclassified to the consolidated statement of earnings except those related to defined benefit pension or post retirement plans which are reclassified to retained earnings. Gains and losses on loss of joint control or disposition of a joint venture are recognized in net gains (losses) on investments in the consolidated statement of earnings. Investments in joint ventures and all related activity are presented with investments in associates in these consolidated financial statements.

Consolidated statement of cash flows

The company's consolidated statement of cash flows is prepared in accordance with the indirect method, classifying cash flows by operating, investing and financing activities.

Cash and cash equivalents – Cash and cash equivalents consist of holding company, subsidiary and Fairfax India cash on hand, demand deposits with banks and other short term highly liquid investments with maturities of three months or less when purchased, and exclude cash and short term highly liquid investments that are restricted.

Investments

Investments include cash and cash equivalents, short term investments, bonds, equity instruments, investments in associates, derivative assets, other invested assets (primarily investment property) and derivative obligations. Management determines the appropriate classifications of investments at their acquisition date.

Classification – Short term investments, bonds, preferred stocks, common stocks, and derivatives are classified at FVTPL. The company manages these investments on a fair value basis, using fair value information to assess investment performance and to make investment decisions. The company has not elected to irrevocably designate any of its common stocks or preferred stocks at fair value through other comprehensive income. The company classifies its short term investments and bonds based on both the company's business model for managing those financial assets and their contractual cash flow characteristics. While the contractual cash flows of certain of the company's short term investments and bonds are solely principal and interest, those investments are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is incidental to the company's business model of maximizing total investment return on a fair value basis.

Recognition and measurement – The company recognizes purchases and sales of investments on the trade date, the date on which the company commits to purchase or sell the investment. Transactions pending settlement are reflected on the consolidated balance sheet in other assets or in accounts payable and accrued liabilities.

Investments classified at FVTPL are initially recognized at fair value with transaction costs recorded as investment expenses (a component of interest and dividends) in the consolidated statement of earnings.

Subsequent to initial recognition, investments classified at FVTPL are measured at fair value with changes in fair value reported in the consolidated statement of earnings as income, comprised of interest and dividends and net gains (losses) on investments. Interest and dividends represent interest income on short term investments and bonds calculated using the effective interest method, and dividends received on holdings of common stocks and preferred stocks, net of investment expenses. All other changes in fair value are reported in net gains (losses) on investments in the consolidated statement of earnings. For short term investments and bonds, the sum of their interest income and net gains (losses) on investments is equal to their total change in fair value for the reporting period.

For investments classified at FVTPL, the company further disaggregates net gains (losses) on investments into realized and unrealized components in note 5. Where a financial instrument continues to be held by the company at the end of a reporting period, changes in the fair value of that instrument during the reporting period, excluding those changes reported as interest and dividends, are presented in net change in unrealized gains (losses). On disposition or as a result of a change in accounting for that financial instrument, its inception-to-date net gain (loss), excluding those changes previously reported as interest and dividends, is presented as net realized gains (losses). The cumulative unrealized net gain (loss) recognized in prior periods on that financial instrument is then reversed in net change in unrealized gains (losses). The sum of the inception-to-date net gain (loss) and the cumulative reversal of prior period net unrealized gains (losses) equals that financial instrument's net gain (loss) on investment for the current reporting period as presented in the consolidated statement of earnings.

Interest and dividends and net gains (losses) on investments are reported as operating activities in the consolidated statement of cash flows.

Derecognition – An investment is derecognized when the rights to receive cash flows from the investment have expired or have been transferred and when the company has transferred substantially the risks and rewards of ownership.

Short term investments – Highly liquid debt instruments with maturity dates between three months and twelve months when purchased are classified as short term investments.

Bonds – Debt instruments with maturity dates greater than twelve months when purchased, or illiquid debt instruments with maturity dates of twelve months or less when purchased, are classified as bonds.

Derivatives – Derivatives may include interest rate, credit default, currency and total return swaps, futures, forwards, warrants and consumer price index linked ("CPI-linked") and option contracts, all of which derive their value primarily from changes in underlying interest rates, foreign exchange rates, credit ratings, commodity values, inflation indexes or equity instruments. A derivative contract may be traded on an exchange or over-the-counter ("OTC"). Exchange-traded derivatives are standardized and include futures and certain warrants and option contracts. OTC derivative contracts are individually negotiated between contracting parties and may include the company's forwards, CPI-linked derivatives and total return swaps.

The company uses derivatives for investment purposes and to mitigate financial risks arising from its investment holdings and reinsurance recoverables, and monitors its derivatives for effectiveness in achieving their risk management objectives where applicable.

The fair value of derivatives in a gain position are presented on the consolidated balance sheet in holding company cash and investments, and in portfolio investments as derivatives and other invested assets. The fair value of derivatives in a loss position are presented on the consolidated balance sheet in derivative obligations. The initial premium paid for a derivative contract, if any, is recorded as a derivative asset and subsequently adjusted for changes in the fair value of the contract at each reporting date. Changes in the fair value of derivatives are recorded as net gains (losses) on investments in the consolidated statement of earnings.

Cash received from counterparties as collateral for derivative contracts is recognized on the consolidated balance sheet in holding company cash and investments or subsidiary cash and short term investments, and a corresponding liability is recognized in accounts payable and accrued liabilities. Securities received from counterparties as collateral are not recorded as assets.

Cash and securities delivered to counterparties as collateral for derivative contracts continue to be reflected as assets on the consolidated balance sheet in holding company cash and investments or in portfolio investments as assets pledged for derivative obligations. The portion of the collateral related to changes in fair value of derivative contracts may be repledged by the counterparties holding the collateral.

Determination of fair value – Fair values for substantially all of the company's financial instruments are measured using market or income approaches. Considerable judgment may be required in interpreting market data used to develop estimates of fair value. Accordingly, actual values realized in future market transactions may differ from the estimates presented in these consolidated financial statements. The use of different market assumptions and/or valuation methodologies may have a material effect on the estimated fair values. The fair values of financial instruments are based on bid prices for financial assets and ask prices for financial liabilities. The company categorizes its fair value measurements using a three-level fair value hierarchy in accordance with IFRS as described below:

Level 1 – Inputs represent unadjusted quoted prices for identical instruments exchanged in active markets. The fair values of the majority of the company's common stocks, equity call options and certain warrants are based on published quotes in active markets.

Level 2 – Inputs include directly or indirectly observable inputs (other than Level 1 inputs) such as quoted prices for similar financial instruments exchanged in active markets, quoted prices for identical or similar financial instruments exchanged in inactive markets and other market observable inputs. The fair value of the vast majority of the company's investments in bonds are priced based on information provided by independent pricing service providers while much of the remainder, along with most derivative contracts (including total return swaps, U.S. treasury bond forward contracts and certain warrants) are based primarily on non-binding third party broker-dealer quotes that are prepared using Level 2 inputs. Where third party broker-dealer quotes are used, typically one quote is obtained from a broker-dealer with particular expertise in the instrument being priced. Preferred stocks are priced using a combination of independent pricing service providers and internal valuation models that rely on directly or indirectly observable inputs.

The fair values of investments in certain limited partnerships classified as common stocks on the consolidated balance sheet are based on the net asset values received from the general partner, adjusted for liquidity as required and are classified as Level 2 when they may be liquidated or redeemed within three months or less of providing notice to the general partner. All other such investments in limited partnerships are classified as Level 3.

Level 3 – Inputs include unobservable inputs that management uses to develop assumptions for which market data is limited or unavailable at the measurement date. In some instances, such as for private company preferred shares, management will use limited recent market transactions that are corroborated by industry accepted discounted cash flow models that incorporate one or more unobservable inputs.

Transfers between fair value hierarchy levels are considered effective from the beginning of the annual reporting period in which the transfer is identified.

Valuation techniques used by the company's independent pricing service providers and third party broker-dealers include use of prices from similar instruments where observable market prices exist, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants. The company assesses the reasonableness of pricing received from these third party sources by comparing the fair values received to recent transaction prices for similar assets where available, to industry accepted discounted cash flow models (that incorporate estimates of the amount and timing of future cash flows and market observable inputs such as credit spreads and discount rates) and to option pricing models (that incorporate market observable inputs including the quoted price, volatility and dividend yield of the underlying security and the risk free rate).

The company employs specialist personnel for the valuation of its investment portfolio. Detailed valuations are prepared for those financial instruments that are priced internally, while external pricing received from independent pricing service providers and third party broker-dealers are evaluated by the company for reasonableness. The company's Chief Financial Officer oversees the valuation function and regularly reviews valuation processes and results, including at each quarterly reporting period. Significant valuation matters, particularly those requiring extensive judgment, are communicated to the company's Audit Committee.

Foreign currency translation

Functional and presentation currency – The consolidated financial statements are presented in U.S. dollars which is the holding company's functional currency and the presentation currency of the consolidated group.

Foreign currency transactions – Foreign currency transactions are translated into the functional currencies of the holding company and its subsidiaries using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the

consolidated statement of earnings. Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction. Non-monetary items carried at fair value are translated using the exchange rate at the date the fair value is determined.

Translation of foreign subsidiaries – The functional currency of some of the company's subsidiaries (principally in Canada, Europe, India and other parts of Asia) differ from the consolidated group's U.S. dollar presentation currency. Assets and liabilities of these foreign subsidiaries (including goodwill and fair value adjustments arising on their acquisition, where applicable) are translated on consolidation using exchange rates at the balance sheet date. Income and expenses are translated at average exchange rates for the period. The net unrealized gain or loss resulting from this translation is recognized in accumulated other comprehensive income (loss), and recycled to the consolidated statement of earnings upon loss of control of a foreign subsidiary.

Hedging
At the inception of a hedge transaction the company documents the economic relationship between the hedged item and hedging instrument, and its risk management objective and strategy for undertaking the hedge.

Net investment hedge – The company has designated the principal amount of its Canadian dollar denominated borrowings as a hedge of its net investment in its Canadian subsidiaries with a Canadian dollar functional currency, and has designated the principal amount of its euro denominated borrowings as a hedge of its net investment in its European operations with a euro functional currency. Unrealized gains or losses relating to the effective portions of the hedges are initially recognized in other comprehensive income (loss), and recycled from accumulated other comprehensive income (loss) to the consolidated statement of earnings upon disposal of an investment in a hedged foreign subsidiary or associate. Gains and losses relating to any ineffective portion of the hedges are recorded in net gains (losses) on investments in the consolidated statement of earnings.

Comprehensive income (loss)
Comprehensive income (loss) consists of net earnings (loss) and other comprehensive income (loss) and includes all changes in total equity during a reporting period, except for those resulting from investments by owners or distributions to owners. Unrealized foreign currency translation amounts arising from the translation of foreign subsidiaries and associates and the effective portion of changes in the fair value of hedging instruments on hedges of net investments in foreign subsidiaries and associates are recognized in other comprehensive income (loss) and included in accumulated other comprehensive income (loss) until recycled to the consolidated statement of earnings on disposal of an investment in a foreign subsidiary or associate. Actuarial gains and losses and changes in asset limitation amounts on defined benefit pension and post retirement plans are recorded in other comprehensive income (loss) and included in accumulated other comprehensive income (loss) without recycling to the consolidated statement of earnings. Upon settlement of the defined benefit plan or disposal of the related subsidiary or associate, those amounts are reclassified directly to retained earnings. Accumulated other comprehensive income (loss), net of income taxes, is included on the consolidated balance sheet as a component of common shareholders' equity.

Property and casualty insurance contracts
Insurance contracts are those contracts that have significant insurance risk at the inception of the contract. Insurance risk arises when the company agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder, with the possibility of paying (including variability in timing of payments) significantly more in a scenario where the insured event occurs than when it does not occur. Contracts not meeting the definition of an insurance contract under IFRS are classified as investment contracts, derivative contracts or service contracts, as appropriate.

Revenue recognition – Premiums written are deferred as unearned premiums and recognized as premiums earned, net of premiums ceded, over the coverage terms of the underlying policies in accordance with the level of protection provided. Certain reinsurance premiums are estimated at the individual contract level, based on historical patterns and experience from the ceding companies for contracts where reports from ceding companies for the period are not contractually due until after the balance sheet date. The cost of reinsurance purchased by the company (premiums ceded) is included in recoverable from reinsurers and is amortized over the contract period in proportion to the amount of insurance protection provided. Unearned premium represents the portion of premiums written relating to periods of insurance and reinsurance coverage subsequent to the balance sheet date. Impairment losses on insurance premiums receivable are included in operating expenses in the consolidated statement of earnings.

Deferred premium acquisition costs – Certain costs of acquiring insurance contracts, consisting of broker commissions and premium taxes, are deferred and charged to earnings as the related premiums are earned.

Deferred premium acquisition costs are limited to their estimated realizable value based on the related unearned premium, which considers anticipated losses and loss adjustment expenses and estimated remaining costs of servicing the business based on historical experience. The ultimate recoverability of deferred premium acquisition costs is determined without regard to investment income. Broker commissions are included in commissions, net, in the consolidated statement of earnings. Premium taxes and impairment losses on deferred premium acquisition costs are included in operating expenses in the consolidated statement of earnings.

Provision for losses and loss adjustment expenses – The company is required by applicable insurance laws, regulations and Canadian accepted actuarial practice to establish reserves for payment of losses and loss adjustment expenses that arise from the company's general insurance and reinsurance products and its run-off operations. These reserves are based on assumptions that represent the best estimates of possible outcomes aimed at evaluating the expected ultimate cost to settle unpaid claims that occurred on or before the balance sheet date. The company establishes its reserves by product line, type and extent of coverage and year of occurrence. Loss reserves fall into two categories: reserves for reported losses (case reserves) and reserves for incurred but not reported ("IBNR") losses. Those reserves include amounts for loss adjustment expenses, such as the estimated legal and other expenses expected to be incurred to finalize the settlement of the losses. Losses and loss adjustment expenses are charged to losses on claims, gross, in the consolidated statement of earnings.

The company's reserves for reported losses and loss adjustment expenses are based on estimates of future payments to settle reported general insurance and reinsurance claims and claims from its run-off operations. Case reserve estimates are based on the facts available at the time the reserves are established and for reinsurance, based on reports and individual case reserve estimates received from ceding companies. The company establishes these reserves on an undiscounted basis to recognize the estimated costs of bringing pending claims to final settlement, taking into account inflation, as well as other factors that can influence the amount of reserves required, some of which are subjective and some of which are dependent on future events. In determining the level of reserves, the company considers historical trends and patterns of loss payments, pending levels of unpaid claims and types of coverage. In addition, court decisions, economic conditions and public attitudes may affect the ultimate cost of settlement and, as a result, the company's estimation of reserves. Between the reporting and final settlement of a claim, circumstances may change, which may result in changes to established reserves. Items such as changes in law and interpretations of relevant case law, results of litigation, changes in medical costs, as well as costs of vehicle and building repair materials and labour rates can substantially impact ultimate settlement costs. Accordingly, the company regularly reviews and re-evaluates case reserves. Any resulting adjustments are included in the current period consolidated statement of earnings in losses on claims, gross, and in losses on claims, ceded to reinsurers, as applicable. Amounts ultimately paid for losses and loss adjustment expenses can vary significantly from the level of reserves originally set or currently recorded.

The company also establishes reserves for IBNR losses on an undiscounted basis to recognize the estimated final settlement cost for loss events which have already occurred but which have not yet been reported. Historical information and statistical models, based on product line, type and extent of coverage, as well as reported claims trends, severities and frequencies, inflation, exposure changes and other factors are relied upon to estimate IBNR reserves. These estimates are revised as additional information becomes available and as claims are actually reported and paid.

Estimation techniques – Provisions for losses and loss adjustment expenses and provisions for unearned premiums are determined based upon previous claims experience, knowledge of events, the terms and conditions of the relevant policies and on interpretation of circumstances. Particularly relevant is experience with similar cases and historical claims payment trends. The approach also includes consideration of the development of loss payment trends, the potential longer term significance of large events, the levels of unpaid claims, legislative changes, judicial decisions and economic and political conditions.

Where possible the company applies several commonly accepted actuarial projection methodologies in estimating required provisions to give greater insight into the trends inherent in the data being projected. These include methods based upon the following: the development of previously settled claims, where payments to date are extrapolated for each prior year; estimates based upon a projection of number of claims and average cost; notified claims development, where notified claims to date for each year are extrapolated based upon observed development of earlier years; and, expected loss ratios. In addition, the company uses other techniques such as aggregate benchmarking methods for specialist classes of business. In selecting its best estimate, the company considers the appropriateness of the methods to the individual circumstances of the line of business and accident or underwriting year.

Large claims affecting each relevant line of business are generally assessed separately, being measured either at the face value of the loss adjuster's estimate or projected separately in order to allow for the future development of large claims.

Provisions for losses and loss adjustment expenses are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and with due regard to collectability.

The provisions for losses and loss adjustment expenses are subject to review at the subsidiary level by subsidiary actuaries and at the corporate level by the company's Chief Actuary. In addition, for major classes of business where the risks and uncertainties inherent in the provisions are greatest, ad hoc detailed reviews are undertaken by internal and external actuaries who are able to draw upon their specialist expertise and a broader knowledge of current industry trends in claims development. The results of these reviews are considered when establishing the appropriate levels of provisions for losses and loss adjustment expenses and unexpired risks.

Life insurance contracts

The company, through Eurolife (which was consolidated on July 14, 2021 as described in note 23), writes life, disability, accident, health and critical illness insurance in addition to offering life annuities and insurance related investment products, both on an individual and group basis. Premiums for most life insurance contracts are generally recognized as revenue when due. The provision for policy benefits is calculated in compliance with local regulatory requirements and IFRS using actuarial principles consistent with those applied where life insurance policies are written. The provision for policy benefits is determined based on the discounting of projected future cash flows of claims and premiums using assumptions that include mortality, morbidity, lapse rates, discount rates, investment returns, inflation, and future expenses. These assumptions can vary by contract type and reflect current and expected future experience and represent the best estimates to settle outstanding claims, estimated future benefits and expenses on in-force insurance contracts. Certain insurance contracts written by Eurolife transfer the market risk associated with the underlying investment performance, which supports the benefit payments, to the policyholder ("unit-linked"). For these unit-linked contracts or funds, the company measures the underlying investments at fair value and presents them in other assets on the consolidated balance sheet. A corresponding liability is presented in insurance contract payables on the consolidated balance sheet. A change in the fair value of the investments of the unit-linked funds result in a corresponding change to the related liabilities, with both changes recorded together in the consolidated statement of earnings such that there is no effect on income, expenses or net earnings.

Reinsurance

Reinsurance does not relieve the originating insurer of its liability and is reflected on the consolidated balance sheet on a gross basis to indicate the extent of credit risk related to reinsurance and the obligations of the insurer to its policyholders. Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses and ceded unearned premiums. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded gross on the consolidated balance sheet unless a legal right to offset against a liability owing to the same reinsurer exists.

Ceded premiums and losses are recorded in the consolidated statement of earnings in premiums ceded to reinsurers and losses on claims, ceded to reinsurers respectively and in recoverable from reinsurers on the consolidated balance sheet. Commission income earned on premiums ceded to reinsurers is included in commissions, net, in the consolidated statement of earnings. Unearned premiums are reported on the consolidated balance sheet before reduction for premiums ceded to reinsurers. Reinsurers' portion of unearned premiums is included in recoverable from reinsurers on the consolidated balance sheet together with estimates of reinsurers' share of provision for claims determined on a basis consistent with the related claims liabilities.

Impairment – Reinsurance assets are assessed regularly for any events that may trigger impairment, including legal disputes with third parties, changes in capital or other financial metrics that may affect the credit worthiness of a counterparty, and historic experience regarding collectability from specific reinsurers. If there is objective evidence that a reinsurance asset is impaired, the carrying amount of the asset is reduced to its recoverable amount by recording a provision for uncollectible reinsurance in operating expenses in the consolidated statement of earnings.

Risk transfer – Reinsurance contracts are assessed to ensure that insurance risk is transferred by the ceding or assuming company to or from the reinsurer. Contracts that do not transfer insurance risk are accounted for using the deposit method whereby a deposit asset or liability is recognized based on the consideration paid or received less any explicitly identified premiums or fees to be retained by the ceding company.

Premiums – Premiums payable for reinsurance ceded are recognized on the consolidated balance sheet in the period in which the reinsurance contract is entered into and include estimates for contracts in force which have

not yet been finalized. Premiums ceded are recognized in the consolidated statement of earnings over the period of the reinsurance contract.

Income taxes
The provision for income taxes for the period comprises current and deferred income tax. Income taxes are recognized in the consolidated statement of earnings, except when related to items recognized in other comprehensive income (loss) or in equity. In those cases, the income taxes are also recognized in other comprehensive income (loss) or in equity, respectively, except for dividends where the income taxes are recognized in earnings, other comprehensive income (loss) or equity according to where the transactions that generated the distributable profits were recognized.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income.

Deferred income tax is calculated under the liability method whereby deferred income tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases at current substantively enacted tax rates. With the exception of initial recognition of deferred income tax arising from business combinations, changes in deferred income tax associated with components of other comprehensive income (loss) are recognized in other comprehensive income (loss) while all other changes in deferred income tax are included in the provision for income taxes in the consolidated statement of earnings.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Carry forwards of unused losses or unused tax credits are tax effected and recognized as deferred tax assets when it is probable that future taxable profits will be available against which these losses or tax credits can be utilized.

Deferred income tax is not recognized on unremitted earnings of subsidiaries where the company has determined it is not probable those earnings will be repatriated in the foreseeable future.

Current and deferred income tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and there is a legally enforceable right of offset.

Investment property
Investment property consists of real estate held by the company for capital appreciation, rental income, or both, and is initially recorded at cost, including transaction costs, and subsequently measured at fair value. On the consolidated balance sheet investment property is included in portfolio investments by the insurance and reinsurance companies and in other assets by the non-insurance companies. In the consolidated statement of earnings, insurance and reinsurance companies record investment property rental income and direct expenses in interest and dividends, and changes in fair value in net gains (losses) on investments, while non-insurance companies record investment property rental income and changes in fair value in other revenue, and direct expenses in other expenses.

Other assets
Other assets primarily consist of premises and equipment, right-of-use assets associated with leases, assets associated with unit-linked insurance products, inventories, sales receivables and finance lease receivables of the non-insurance companies, prepaid expenses, accrued interest and dividends, income taxes refundable, receivables for securities sold, pension assets, prepaid losses on claims, and other miscellaneous receivables. Receivables are initially recognized at fair value less a provision for expected lifetime credit losses, and subsequently measured at amortized cost.

Premises and equipment – Premises and equipment is recorded at historical cost less accumulated amortization and any accumulated impairment losses. The company reviews premises and equipment for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The cost of premises and equipment is depreciated on a straight-line basis over the asset's estimated useful life. In the consolidated statement of earnings depreciation expense is charged to operating expenses by the insurance and reinsurance companies, and to other expenses by the non-insurance companies.

Other revenue
Other revenue is primarily comprised of revenue earned by the non-insurance companies. Revenue from restaurant and retail sales is recognized when the company provides goods to the customer and receives payment. Revenue

from the sale of other goods is typically recognized when shipped to the customer, with payment received in advance of shipment. The shipping and handling performance obligation is recorded as a contract liability and recognized as revenue once the services have been performed. Revenue from providing travel, hospitality and other non-insurance services is recognized over time based on measured progress towards complete satisfaction of the related performance obligations. Payment is usually received at the time of initial booking for travel and hospitality services, and received in installments for other services. Unconditional payments due from customers for satisfied performance obligations are recorded as sales receivables within other assets on the consolidated balance sheet. Customer prepayments are recorded as deferred revenue within accounts payable and accrued liabilities on the consolidated balance sheet and are not recognized as revenue until the shipment of goods or provision of services occurs. Certain contracts include multiple deliverables which are accounted for as separate performance obligations, with the transaction price allocated to the performance obligations based on their individual selling prices.

Other expenses

Other expenses is primarily comprised of the cost of inventories sold or services provided and the operating expenses of the non-insurance companies.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities primarily consist of leases liabilities, trade payables of the non-insurance companies, accrued amounts for salaries and employee benefits, deferred revenue of the non-insurance companies, pension and post retirement liabilities, amounts withheld and accrued taxes, income taxes payable, and other administrative costs. Accounts payable and accrued liabilities are initially recognized at fair value and subsequently measured at amortized cost.

Borrowings

Borrowings are initially recognized at fair value, net of incremental and directly attributable transaction costs, and subsequently measured at amortized cost. Interest expense on borrowings is recognized in the consolidated statement of earnings using the effective interest rate method. Borrowings are derecognized when extinguished, with any gain or loss on extinguishment or modification recognized in interest expense in the consolidated statement of earnings.

Equity

Common stock issued by the company is classified as equity when there is no contractual obligation to transfer cash or other financial assets to the holder of the shares. Incremental costs directly attributable to the issue or repurchase of equity instruments are recognized in equity, net of tax.

Treasury shares are equity instruments repurchased by the company which have not been canceled and are deducted from equity on the consolidated balance sheet, irrespective of the objective of the purchase. The company acquires its own subordinate voting shares on the open market for its share-based payment awards. No gain or loss is recognized in the consolidated statement of earnings on the purchase, sale, issue or cancellation of treasury shares. Consideration paid or received is recognized directly in equity.

Dividends and other distributions to holders of the company's equity instruments are recognized directly in equity.

Share-based payments

The company has restricted share plans or equivalent for management of the holding company and its subsidiaries with vesting periods of up to fifteen years from the date of grant. The fair value of restricted share awards on the grant date is amortized to compensation expense over the vesting period, with a corresponding increase in the share-based payments equity reserve. At each balance sheet date, the company reviews its estimates of the number of restricted share awards expected to vest.

Net earnings per share attributable to shareholders of Fairfax

Net earnings (loss) per share – Basic net earnings (loss) per share is calculated by dividing the net earnings (loss) attributable to shareholders of Fairfax, after the deduction of preferred share dividends declared and the excess over stated value of preferred shares purchased for cancellation, by the weighted average number of subordinate and multiple voting shares issued and outstanding during the period, excluding subordinate voting shares purchased by the company and held as treasury shares.

Net earnings (loss) per diluted share – Diluted net earnings (loss) per share is calculated in the same manner as basic net earnings (loss) per share except that the weighted average number of subordinate and multiple voting shares outstanding during the period is adjusted for the dilutive effect, if any, of share-based payments.

Pensions and post retirement benefits
The company's subsidiaries have a number of arrangements in Canada, the United States, the United Kingdom and certain other jurisdictions that provide pension and post retirement benefits to retired and current employees. The holding company has no such arrangements or plans. Pension arrangements of the subsidiaries include defined benefit statutory pension plans and supplemental arrangements that provide pension benefits in excess of statutory limits. These plans are a combination of defined benefit plans and defined contribution plans. The assets of these plans are held separately from the company's general assets in separate pension funds and invested principally in equities, high quality fixed income securities and cash and short term investments. Certain of the company's post retirement benefit plans covering medical care and life insurance are internally funded.

Defined contribution plan – A defined contribution plan is a pension plan under which the company pays fixed contributions. These contributions are charged to operating expenses by the insurance and reinsurance companies and to other expenses by the non-insurance companies in the period in which the employment services qualifying for the benefit are provided. The company has no further payment obligations once the contributions have been paid.

Defined benefit plan – A defined benefit plan is a plan that defines an amount of pension or other post retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. Actuarial valuations of benefit liabilities for the majority of pension and post retirement benefit plans are performed each year using the projected benefit method prorated on service, based on management's assumptions.

Defined benefit obligations, net of the fair value of plan assets, and adjusted for pension asset limitations, if any, are accrued on the consolidated balance sheet in accounts payable and accrued liabilities (note 14). Plans in a net asset position, subject to any minimum funding requirements, are recognized in other assets (note 13).

Defined benefit expense recognized in the consolidated statement of earnings includes the net interest on the net defined benefit liability (asset) calculated using a discount rate based on market yields on high quality bonds, past service costs arising from plan amendments or curtailments and gains or losses on plan settlements.

Remeasurements, consisting of actuarial gains and losses on plan liabilities, the actual return on plan assets (excluding the net interest component) and any change in asset limitation amounts, are recognized in other comprehensive income (loss) and subsequently included in accumulated other comprehensive income (loss). Remeasurements are not recycled to the consolidated statement of earnings and are reclassified to retained earnings upon settlement of the plan or disposal of the related subsidiary.

Leases
Lessees – The company, primarily through its non-insurance companies, is a lessee under various leases related principally to premises, automobiles and equipment.

A right-of-use asset and a lease liability are recognized at the commencement date of a lease. Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made before the commencement date, and any initial direct costs incurred. Lease liabilities are initially measured at the present value of lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the company's incremental borrowing rate. The company typically uses its incremental borrowing rate. Right-of-use assets are included in other assets and lease liabilities are included in accounts payable and accrued liabilities on the consolidated balance sheet.

Subsequent to initial recognition, right-of-use assets are depreciated using the straight-line method over the shorter of the lease term and the right-of-use asset's useful life, with depreciation expense recorded as operating expenses or other expenses in the consolidated statement of earnings, and lease liabilities are measured at amortized cost using the effective interest method, with accretion of lease liabilities recorded as interest expense in the consolidated statement of earnings. Each lease payment is allocated between principal and interest expense to produce a constant periodic rate of interest on the remaining balance of the lease liability. The interest and principal portions of cash payments on lease liabilities are reported as operating activities and financing activities respectively in the consolidated statement of cash flows.

Right-of-use assets and lease liabilities are not recognized for short-term leases that have a lease term of twelve months or less, or for low value leases, which principally relate to office equipment, furniture and fixtures. Payments for short-term and low value leases are recorded on a straight-line basis over the lease term in the consolidated statement of earnings and reported as operating activities in the consolidated statement of cash flows.

Lessors – The company, primarily through its non-insurance companies, holds certain head leases where it acts as an intermediate lessor in a sub-lease. Interests in head leases and sub-leases are accounted for separately.

Classification of a sub-lease is determined with reference to the right-of-use asset arising from the head lease, and not with reference to the underlying leased asset. If substantially all of the risk and rewards of ownership of the right-of-use asset are transferred, then the sub-lease is classified as a finance lease, where the right-of-use asset is derecognized, a finance lease receivable is recorded, representing the present value of future lease payments to be received, and any difference is recorded in the consolidated statement of earnings. Finance lease receivables are included in other assets on the consolidated balance sheet. Interest revenue earned on finance lease receivables is included in other revenue in the consolidated statement of earnings.

Sub-leases classified as operating leases do not result in any change to the amounts initially recognized on the head lease. Payments received from operating leases are recorded on a straight-line basis over the lease term as other revenue in the consolidated statement of earnings.

New accounting pronouncements adopted in 2022

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* clarify the types of costs an entity includes in determining the cost of fulfilling a contract when assessing whether a contract is onerous. Adoption of the amendments on January 1, 2022 in accordance with the applicable transition provisions did not have a significant impact on the company's consolidated financial statements.

Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments to IFRS 3 *Business Combinations* replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the current *Conceptual Framework for Financial Reporting* that was issued in March 2018. The amendments also add an exception to the recognition principle of IFRS 3 for liabilities and contingent liabilities within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies* and further clarify that an acquirer does not recognize contingent assets acquired in a business combination. Prospective adoption of these amendments on January 1, 2022 did not have a significant impact on the company's consolidated financial statements.

Annual Improvements to IFRS Standards 2018 – 2020

Amendments to certain IFRS Standards as a result of the IASB's annual improvements project included an amendment to IFRS 9 *Financial Instruments* to clarify which fees are considered when assessing whether to derecognize a financial liability. Prospective adoption of this amendment on January 1, 2022 did not have a significant impact on the company's consolidated financial statements.

New accounting pronouncements issued but not yet effective

The following new standards and amendments have been issued by the IASB and were not yet effective for the fiscal year beginning January 1, 2022. The company does not expect to adopt them in advance of their effective dates.

IFRS 17 Insurance Contracts ("IFRS 17")

On May 18, 2017 the IASB issued IFRS 17, a comprehensive standard for the recognition, measurement, presentation and disclosure of insurance contracts with amendments issued on June 25, 2020 that included targeted improvements and the deferral of the effective date to January 1, 2023. IFRS 17 requires entities to measure insurance contracts using current estimates of fulfillment cash flows, which includes all future cash flows associated with insurance contracts, using one of three measurement models. The company has assessed that the majority of its insurance contracts will be eligible for the simplified measurement model, the Premium Allocation Approach, with the remainder of the company's insurance contracts primarily using the General Measurement Model. The measurement of insurance contracts under the Premium Allocation Approach is similar to that under IFRS 4 and is available for contracts with a coverage period of one year or less, or where the measurement of the liability for remaining coverage is not expected to differ materially had the General Measurement Model been applied. Under IFRS 17, the carrying amount of a group of insurance contracts at each reporting date is measured as the sum of the liability for remaining coverage, comprised principally of unearned premium and deferred premium acquisition costs under IFRS 4, and the liability for incurred claims, comprised principally of future cash flows and a risk adjustment for non-financial risks of losses on claims and expenses that have been incurred but not yet paid. The measurement of insurance contracts under IFRS 17 introduces new requirements, the most notable being that the measurement reflect both the time value of money and an explicit risk adjustment for non-financial risk, whereas the company's current measurement under IFRS 4 reflects neither. IFRS 17 must be applied retrospectively with restatement of comparatives unless impracticable.

IFRS 17 will bring considerable changes to the recognition, measurement, presentation and disclosure of insurance contracts within the company's consolidated financial statements. It will not, however, affect the company's underwriting strategy, its actuarial practice to establish management's best estimate of the reserves, or the company's cash flows. Insurance contracts will be presented differently, including differentiating in the consolidated statement of earnings between the insurance service result, which includes insurance revenue and insurance service expenses, and insurance finance income or expenses, which includes the effects of discounting and changes in discount rates.

In 2022, the company finalized the implementation and testing of information technology systems across its insurance and reinsurance subsidiaries and completed its analysis and documentation of key accounting policy decisions. Additionally, the company has prepared and continues to refine its draft IFRS 17 opening balance sheet as at January 1, 2022 and continues the preparation of its comparative quarterly information. The company determined that it will apply IFRS 17 to the majority of its insurance contracts on a full retrospective basis, and on a modified retrospective basis where a full retrospective basis is impracticable, which is primarily for insurance contracts acquired in past business combinations. When applying the modified retrospective approach, simplifications and modifications will be used only to the extent required, as permitted by the standard.

Upon adoption of IFRS 17, the company anticipates recording a transition adjustment to increase opening common shareholders' equity as at January 1, 2022 which is not expected to exceed 2.5% of common shareholders' equity as at December 31, 2021, primarily reflecting a decrease to insurance contract liabilities from the introduction of discounting claims reserves and the deferral of additional insurance acquisition costs which were previously expensed as incurred (as a result of IFRS 17's broader definition of insurance acquisition costs compared with the company's current policy under IFRS 4), partially offset by a new risk adjustment for uncertainty related to the timing and amount of cash flows arising from non-financial risks. The company does not anticipate material changes to the measurement of net revenue (currently presented as net premiums earned in the consolidated statement of earnings and will be presented differently under IFRS 17) or the selection of actuarial projection methodologies and the development of significant assumptions to determine management's best estimate of reserves on adoption of IFRS 17.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
On May 7, 2021 the IASB issued amendments to IAS 12 *Income Taxes* to clarify how companies account for deferred tax on transactions that give rise to equal taxable and deductible temporary differences, such as lease transactions under IFRS 16 *Leases* that require recognition of a lease liability and a corresponding right-of-use asset at the commencement date of a lease. The amendments preclude the use of the initial recognition exemption on such transactions and are effective for annual periods beginning on or after January 1, 2023 with early application permitted. Upon adoption, the amendments require the deferred tax asset and liability on temporary differences associated with lease balances to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect of initially applying the amendments recorded as an adjustment to opening equity. The amendments are not expected to have a significant impact on the company's consolidated financial statements.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
On February 12, 2021 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* to help entities decide which accounting policies to disclose in their financial statements. The amendments are applied prospectively on or after January 1, 2023 and are not expected to have a significant impact on the company's consolidated financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)
On February 12, 2021 the IASB issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to help entities distinguish between accounting policies and accounting estimates. The amendments are applied prospectively to changes in accounting estimates and changes in accounting policies occurring on or after January 1, 2023 and are not expected to have a significant impact on the company's consolidated financial statements.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
On January 23, 2020 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* to clarify the criteria for classifying a liability as non-current. The amendments were to be applied retrospectively to annual periods beginning on or after January 1, 2023, however on October 31, 2022 the IASB deferred the effective date by one year to January 1, 2024. The company is currently evaluating the expected impact of the amendments on its consolidated financial statements.

Non-current Liabilities with Covenants (Amendments to IAS 1)
On October 31, 2022 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* to clarify that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. The amendments also require an entity to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments are applied retrospectively on or after January 1, 2024 with early application permitted. The company is currently evaluating the expected impact of the amendments on its consolidated financial statements.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
On September 22, 2022 the IASB issued amendments to IFRS 16 *Leases* to clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 *Revenue from Contracts with Customers* to be accounted for as a sale. The amendments are applied retrospectively on or after January 1, 2024, with early application permitted, to sale and leaseback transactions entered into after the date of initial application, and are not expected to have a significant impact on the company's consolidated financial statements.

Comparatives
On April 1, 2022 the company revised its property and casualty insurance and reinsurance reporting segments as described in note 25. Certain prior period comparatives have been reclassified to conform with the current period's reporting segments presentation.

4. Critical Accounting Estimates and Judgments

In the preparation of the company's consolidated financial statements, management has made a number of critical accounting estimates and judgments as described below, and in certain notes to the consolidated financial statements: determination of fair value for financial instruments in note 5; carrying value of goodwill and intangibles in note 12; and contingencies in note 20. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

Provision for losses and loss adjustment expenses
Property and casualty insurance and reinsurance provisions for losses and loss adjustment expenses are estimated based on Canadian accepted actuarial practices, which are designed to ensure the company establishes an appropriate reserve on the consolidated balance sheet to cover insured losses and related claims expenses for both reported claims and IBNR claims as of each balance sheet date. The assumptions underlying the estimation of provisions for losses and loss adjustment expenses, the most significant of which are expected loss ratios, loss development patterns, claim frequencies and severities, exposure changes and expected reinsurance recoveries, are regularly reviewed and updated by the company to reflect recent and emerging trends in experience and changes in the risk profile of the business. The estimation techniques employed by the company in determining provisions for losses and loss adjustment expenses and the inherent uncertainties associated with insurance contracts are described in the "Property and casualty insurance contracts" section of note 3 and the "Underwriting Risk" section of note 24, and the historic development of the company's insurance liabilities are presented in note 8.

Determination of fair value for financial instruments classified as Level 3 in the fair value hierarchy
Fair values for substantially all of the company's financial instruments are measured using market or income approaches. Considerable judgment may be required in developing estimates of fair value, particularly for financial instruments classified as Level 3 in the fair value hierarchy as such estimates incorporate unobservable inputs that require management to use its own assumptions. In particular, for private placement debt securities and private company preferred shares the company uses industry accepted discounted cash flow models to respectively, value the instruments directly, and to corroborate fair values implied by limited market activity. Significant judgments and assumptions are required to determine the discounted cash flows, including discount rates, long term growth rates and credit spreads, as applicable, and the effects of economic uncertainty caused by increased inflationary pressures that have resulted in central banks across the world simultaneously raising interest rates to address inflation. See note 5 for details of the company's Level 3 financial instruments and the valuation assumptions applied.

Impairment assessments of goodwill and indefinite-lived intangible assets
Goodwill and indefinite-lived intangible assets are assessed annually for impairment, or more frequently if there are indicators of impairment, by comparing the carrying value of the cash-generating unit ("CGU") or group of CGUs to which these assets are allocated to their recoverable amounts. The company principally uses discounted cash flows to estimate the recoverable amount of a CGU or group of CGUs to which goodwill or indefinite-lived intangible assets have been allocated, and market approaches inclusive of a control premium are used when applicable. Significant judgments and assumptions are required to determine the discounted cash flows, including discount rates, long term growth rates, working capital requirements and the effects of increased inflationary pressures and interest rates, and also (i) for goodwill, premiums, investment returns, revenues and expenses, and (ii) for indefinite-lived intangible assets, premiums, revenues and royalty rates. Discounted cash flows are subject to sensitivity analysis given the uncertainty in preparing forecasts. Details of goodwill and indefinite-lived intangible assets, including the results of annual impairment tests, are presented in note 12.

Determination of significant influence, joint control and control
The determination of whether an investment is an associate, a joint arrangement or a subsidiary requires consideration of all facts and circumstances, and typically begins with an analysis of the company's proportion of the investee's voting rights. Judgment may be required to determine the existence of significant influence, joint control or control when it involves elements such as contractual arrangements between shareholders, currently exercisable potential voting rights through warrants or convertible instruments, significant shareholdings relative to other third party shareholders, and regulatory restrictions on board representation, voting rights, or relevant activities of the investee. De facto control over an investee without holding the majority of its voting rights may occur due to dispersion of third party shareholdings and other factors. Conversely, having significant influence over an investee when holding the majority of its voting rights may occur due to regulatory and other restrictions that limit the application of voting and other rights. The company's investments in associates and joint ventures are presented in note 6, business combinations and divestitures are presented in note 23 and subsidiaries are presented in note 29. The company exercised judgment in determining it had obtained significant influence over Stelco during 2022, and over Gulf Insurance through arrangements related to its sale of RiverStone Barbados during 2021, pursuant to the transactions described in note 6.

5. Cash and Investments

Presented in the table below are holding company cash and investments and portfolio investments, net of derivative obligations, all of which are classified at FVTPL except for investments in associates and other invested assets.

	December 31, 2022	December 31, 2021
Holding company		
Cash and cash equivalents	552.1	465.9
Short term investments	126.6	216.9
Bonds	243.2	242.6
Preferred stocks	11.1	14.0
Common stocks[1]	75.4	137.5
Derivatives (note 7)	232.8	290.5
	1,241.2	1,367.4
Assets pledged for derivative obligations:		
Cash equivalents	40.6	46.8
Short term investments	64.0	64.1
	104.6	110.9
Holding company cash and investments as presented on the consolidated balance sheet	1,345.8	1,478.3
Derivative obligations (note 7)	(19.4)	(32.1)
	1,326.4	1,446.2
Portfolio investments		
Cash and cash equivalents[2]	6,203.3	12,283.2
Short term investments	3,164.9	9,516.3
Bonds	28,578.5	14,091.2
Preferred stocks	2,338.0	2,405.9
Common stocks[1]	5,124.3	5,468.9
Investments in associates (note 6)	6,091.3	4,755.1
Derivatives (note 7)	235.0	291.3
Other invested assets[3]	593.5	699.9
	52,328.8	49,511.8
Assets pledged for derivative obligations:		
Cash equivalents	–	74.0
Short term investments	–	45.6
Bonds	51.3	–
	51.3	119.6
Fairfax India cash, portfolio investments and associates:		
Cash and cash equivalents[2]	184.8	76.5
Short term investments	49.7	6.2
Bonds	128.2	199.8
Common stocks	237.5	434.6
Investments in associates (note 6)	1,342.6	1,348.9
	1,942.8	2,066.0
Portfolio investments as presented on the consolidated balance sheet	54,322.9	51,697.4
Derivative obligations (note 7)	(171.6)	(120.8)
	54,151.3	51,576.6
Total cash and investments, net of derivative obligations	55,477.7	53,022.8

(1) Includes aggregate investments in limited partnerships with a carrying value at December 31, 2022 of $1,982.5 (December 31, 2021 – $1,971.0).

(2) Includes aggregate restricted cash and cash equivalents at December 31, 2022 of $861.2 (December 31, 2021 – $1,261.0). See note 27.

(3) Comprised primarily of investment property.

Restricted cash and cash equivalents at December 31, 2022 of $861.2 (December 31, 2021 – $1,261.0) was comprised primarily of amounts required to be maintained on deposit with various regulatory authorities to support the operations of the insurance and reinsurance subsidiaries. Refer to note 27 for details of restricted cash and cash equivalents presented on the consolidated balance sheet.

The company's subsidiaries have pledged cash and investments, inclusive of trust funds and regulatory deposits, as security for their own obligations to pay claims or make premium payments (these pledges are either direct or collateral for letters of credit). In order to write insurance business in certain jurisdictions (primarily U.S. states) the company's subsidiaries must deposit funds with local insurance regulatory authorities to provide security for future claims payments as ultimate protection for the policyholder. Additionally, some of the company's subsidiaries provide reinsurance to primary insurers, for which funds must be posted as security for losses that have been incurred but not yet paid. These pledges are in the normal course of business and are generally released when the payment obligation is fulfilled.

The table that follows summarizes assets pledged to third parties by the nature of the pledge requirement (excluding assets pledged in favour of Lloyd's (note 20), for derivative obligations and for certain intercompany reinsurance arrangements). Pledged assets primarily consist of cash and cash equivalents, short term investments and bonds within portfolio investments on the consolidated balance sheet.

	December 31, 2022	December 31, 2021
Regulatory deposits	5,724.2	5,147.1
Security for reinsurance and other	1,611.0	1,434.9
	7,335.2	6,582.0

Fixed Income Maturity Profile

Bonds are summarized by their earliest contractual maturity date in the table below. Actual maturities may differ from maturities shown below due to the existence of call and put features. At December 31, 2022 bonds containing call, put and both call and put features represented $5,933.7, $30.9 and $427.7 respectively (December 31, 2021 – $4,063.0, $77.2 and $467.8) of the total fair value of bonds. The table below does not reflect the impact of U.S. treasury bond forward contracts with a notional amount at December 31, 2022 of $183.7 (December 31, 2021 – $1,691.3) that economically hedge the company's exposure to interest rate risk as described in note 7. The increase in the company's holdings of bonds due in 1 year or less was primarily due to net purchases of Canadian government bonds, Canadian provincial bonds and first mortgage loans of $779.0, $207.6 and $870.2 respectively and debentures received on the sale of Crum & Forster's Pet Insurance Group and Pethealth as described in note 23. The increase in the company's holdings of bonds due after 1 year through 3 years was primarily due to net investments of existing cash and proceeds from sales and maturities of U.S. treasury and Canadian provincial short term investments into U.S. treasury and Canadian government bonds with 1 to 3 year terms of $8,287.0 and $609.3, and short-dated high quality corporate bonds of $2,202.6. The increase in the company's holdings of bonds due after 3 years through 5 years was primarily due to net purchases of U.S. treasury bonds with 3 to 5 year terms of $2,905.1.

	December 31, 2022		December 31, 2021	
	Amortized cost(1)	Fair value(1)	Amortized cost(1)	Fair value(1)
Due in 1 year or less(2)	8,506.5	8,192.5	6,022.8	5,946.5
Due after 1 year through 3 years(2)	16,077.6	15,686.2	3,933.5	4,206.0
Due after 3 years through 5 years	4,205.8	4,116.6	2,740.7	2,744.1
Due after 5 years through 10 years	318.8	291.1	534.0	531.3
Due after 10 years	859.9	714.8	990.1	1,105.7
	29,968.6	29,001.2	14,221.1	14,533.6
Pre-tax effective interest rate		3.6%		2.7%

(1) Includes bonds held by the holding company and Fairfax India.

(2) Includes the company's investments in first mortgage loans at December 31, 2022 of $2,500.7 (December 31, 2021 – $1,659.4) secured by real estate predominantly in the U.S., Europe and Canada.

Fair Value Disclosures

The company's use of quoted market prices (Level 1), valuation models with significant observable market information as inputs (Level 2) and valuation models with significant unobservable information as inputs (Level 3) in the valuation of securities and derivative contracts by type of issuer was as follows:

	December 31, 2022				December 31, 2021			
	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value asset (liability)	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value asset (liability)
Cash and cash equivalents[1]	6,980.8	–	–	6,980.8	12,946.4	–	–	12,946.4
Short term investments:								
Canadian government	91.8	–	–	91.8	16.2	–	–	16.2
Canadian provincials	38.1	–	–	38.1	535.8	–	–	535.8
U.S. treasury	1,574.5	–	–	1,574.5	7,608.8	–	–	7,608.8
Other government	164.3	1,238.5	–	1,402.8	283.5	1,140.9	–	1,424.4
Corporate and other	–	298.0	–	298.0	–	263.9	–	263.9
	1,868.7	1,536.5	–	3,405.2	8,444.3	1,404.8	–	9,849.1
Bonds:								
Canadian government	–	1,923.5	–	1,923.5	–	614.6	–	614.6
Canadian provincials	–	284.1	–	284.1	–	45.0	–	45.0
U.S. treasury	–	14,378.8	–	14,378.8	–	3,957.9	–	3,957.9
U.S. states and municipalities	–	262.7	–	262.7	–	387.2	–	387.2
Other government	–	2,700.2	–	2,700.2	–	2,655.0	–	2,655.0
Corporate and other[2]	–	5,986.6	3,465.3	9,451.9	–	4,078.1	2,795.8	6,873.9
	–	25,535.9	3,465.3	29,001.2	–	11,737.8	2,795.8	14,533.6
Preferred stocks:								
Canadian	10.4	9.2	13.2	32.8	–	16.6	93.6	110.2
U.S.	–	–	233.6	233.6	–	–	40.6	40.6
Other[3]	13.2	269.2	1,800.3	2,082.7	13.5	288.0	1,967.6	2,269.1
	23.6	278.4	2,047.1	2,349.1	13.5	304.6	2,101.8	2,419.9
Common stocks:								
Canadian	624.3	192.3	427.8	1,244.4	1,104.2	188.4	303.7	1,596.3
U.S.	691.0	26.1	1,087.2	1,804.3	597.9	32.0	1,155.3	1,785.2
Other	1,097.8	254.1	1,036.6	2,388.5	1,438.0	276.7	944.8	2,659.5
	2,413.1	472.5	2,551.6	5,437.2	3,140.1	497.1	2,403.8	6,041.0
Derivatives and other invested assets	–	341.8	719.5	1,061.3	0.1	175.4	1,106.2	1,281.7
Derivative obligations (note 7)	–	(151.8)	(39.2)	(191.0)	–	(88.5)	(64.4)	(152.9)
Holding company cash and investments and portfolio investments measured at fair value	11,286.2	28,013.3	8,744.3	48,043.8	24,544.4	14,031.2	8,343.2	46,918.8
	23.5%	58.3%	18.2%	100.0%	52.3%	29.9%	17.8%	100.0%
Investments in associates (note 6)[4]	4,693.8	95.3	4,463.2	9,252.3	4,188.8	106.8	3,995.6	8,291.2

(1) Includes restricted cash and cash equivalents of $861.2 at December 31, 2022 (December 31, 2021 – $1,261.0). See note 27.

(2) Included in Level 3 are the company's investments in first mortgage loans at December 31, 2022 of $2,500.7 (December 31, 2021 – $1,659.4) secured by real estate predominantly in the U.S., Europe and Canada.

(3) Primarily comprised of the company's investment in compulsory convertible preferred shares of Go Digit Infoworks Services Limited ("Digit"), which is described in footnote (2) of the following table. The company also holds a 49.0% equity interest in Digit as described in note 6.

(4) The fair value of investments in associates is presented separately as such investments are measured using the equity method of accounting. Also included is the fair value of Resolute Forest Products which was held for sale at December 31, 2022 as described in note 6.

In the preceding table certain limited partnerships included in common stocks are classified as Level 3 because their net asset values are unobservable or because they contractually require greater than three months to liquidate or redeem. During 2022 and 2021 there were no significant transfers of financial instruments between Level 1 and Level 2, and there were no significant transfers of financial instruments in or out of Level 3 as a result of changes in the observability of valuation inputs except as described in the following table which summarizes changes in Level 3 financial assets measured at fair value on a recurring basis.

	2022						
	Private placement debt securities	Private company preferred shares	Limited partnerships and other[1]	Private equity funds[1]	Common shares	Derivatives and other invested assets	Total
Balance – January 1	2,795.8	2,101.8	1,789.1	107.7	507.0	1,041.8	8,343.2
Net realized and unrealized gains (losses) included in the consolidated statement of earnings[2]	(378.8)	(247.4)	143.0	(1.4)	61.9	(95.8)	(518.5)
Purchases[3]	1,456.0	286.4	113.1	–	102.7	67.4	2,025.6
Sales and distributions[3]	(382.4)	(88.1)	(207.0)	(4.2)	(14.3)	(303.8)	(999.8)
Transfer out of category	–	–	–	–	(2.7)	–	(2.7)
Unrealized foreign currency translation losses on foreign subsidiaries included in other comprehensive income (loss)	(25.3)	(5.6)	(14.0)	(4.6)	(24.7)	(29.3)	(103.5)
Balance – December 31	3,465.3	2,047.1	1,824.2	97.5	629.9	680.3	8,744.3

	2021						
	Private placement debt securities	Private company preferred shares	Limited partnerships and other[1]	Private equity funds[1]	Common shares	Derivatives and other invested assets	Total
Balance – January 1	1,774.2	587.4	1,766.9	110.8	239.9	697.6	5,176.8
Net realized and unrealized gains included in the consolidated statement of earnings[2]	69.1	1,489.3	450.6	2.4	53.7	297.4	2,362.5
Purchases[3][4][5]	1,241.5	32.0	254.3	–	216.9	115.5	1,860.2
Acquisitions of subsidiaries (note 23)	47.5	–	–	–	–	27.4	74.9
Transfer into category[6]	139.6	–	–	–	10.9	–	150.5
Sales and distributions[3]	(476.6)	(7.2)	(580.9)	(5.9)	(2.5)	(91.8)	(1,164.9)
Transfer out of category	–	–	(102.0)	–	(10.7)	–	(112.7)
Unrealized foreign currency translation gains (losses) on foreign subsidiaries included in other comprehensive income (loss)	0.5	0.3	0.2	0.4	(1.2)	(4.3)	(4.1)
Balance – December 31	2,795.8	2,101.8	1,789.1	107.7	507.0	1,041.8	8,343.2

(1) Included in common stocks in the fair value hierarchy table presented on the previous page and in holding company cash and investments or common stocks on the consolidated balance sheets.

(2) During June 2021, the company's associate Go Digit Infoworks Services Private Limited ("Digit") entered into agreements with certain third party investors for its general insurance subsidiary Go Digit Insurance Limited ("Digit Insurance") to raise approximately $200 (14.9 billion Indian rupees) of new equity shares, valuing Digit Insurance at approximately $3.5 billion (259.5 billion Indian rupees) (the "transaction fair value"). Digit Insurance subsequently closed the majority of the $200 raise in the fourth quarter of 2021 and first half of 2022.

At December 31, 2021, the company estimated the fair value of Digit Insurance using the transaction fair value, which was supported by an internal discounted cash flow analysis, resulting in the company recording a net unrealized gain of $1,490.3 in 2021 (inclusive of foreign exchange losses) on its investment in Digit compulsory convertible preferred shares.

At December 31, 2022, the company estimated the fair value of Digit Insurance using an internal discounted cash flow analysis that continues to approximate the transaction fair value, resulting in the company recording a net unrealized loss of $167.2 in 2022, principally related to foreign exchange losses on its investment in Digit compulsory convertible preferred shares. The company also holds a 49.0% equity accounted interest in Digit as described in note 6.

(3) Private placement debt securities include net purchases of first mortgage loans of $870.2 (2021 – $826.9).

(4) Common shares include non-voting shares of the RiverStone Barbados holding company as described in note 23.

(5) Derivatives and other invested assets include a monthly royalty on future revenues of Toys "R" Us Canada as described in note 23.

(6) Private placement debt securities include Mosaic Capital 25-year debentures as described in note 23.

The table below presents the valuation techniques and unobservable inputs used to estimate fair values for the company's significant Level 3 financial assets at December 31, 2022:

Asset class	Carrying value	Valuation technique	Significant unobservable input	Input range used Low	Input range used High	Effect on fair value if input value is increased[(a)]
Bonds[(b)]:						
Private placement debt securities[(1)]	834.2	Discounted cash flow	Credit spread	2.8%	12.7%	Decrease
Mortgage loans[(2)]	2,500.7	Market approach	Recent transaction price	N/A	N/A	Increase
		Discounted cash flow	Credit spread	2.1%	6.4%	Decrease
Other	130.4	Various	Various	N/A	N/A	N/A
	3,465.3					
Preferred stocks[(c)]:						
Private company preferred shares[(3)]	1,798.3	Discounted cash flow	Discount rate	10.9%	10.9%	Decrease
			Long term growth rate	6.3%	6.3%	Increase
Private placement preferred shares	156.7	Discounted cash flow	Credit spread	5.8%	5.8%	Decrease
Other	92.1	Various	Various	N/A	N/A	N/A
	2,047.1					
Common stocks[(d)]:						
Limited partnerships and other[(4)]	1,824.2	Net asset value	Net asset value	N/A	N/A	Increase
Common shares	261.6	Market approach	Recent transaction price	N/A	N/A	Increase
Other	465.8	Various	Various	N/A	N/A	N/A
	2,551.6					
Derivatives and other invested assets[(e)]:						
Investment property[(5)]	437.3	Income capitalization	Terminal capitalization rate	6.0%	8.0%	Decrease
			Discount rate	6.9%	9.3%	Decrease
			Market rent growth rate	2.6%	3.0%	Increase
	66.0	Sales comparison	Price per acre (Cdn$thousands)	30.0	150.0	Increase
Other	177.0	Various	Various	N/A	N/A	N/A
	680.3					
Total	8,744.3					

(a) Decreasing the input value would have the opposite effect on the estimated fair value.

(b) Included in holding company cash and investments or bonds on the consolidated balance sheet.

(c) Included in preferred stocks on the consolidated balance sheet.

(d) Included in holding company cash and investments or common stocks on the consolidated balance sheet.

(e) Included in holding company cash and investments or derivatives and other invested assets, net of derivative obligations, on the consolidated balance sheet.

(1) At December 31, 2022 these private placement debt securities were valued using industry accepted discounted cash flow models that incorporated unobservable credit spreads of the issuers, and consisted of 10 investments, the largest being $285.0 (software and services) (December 31, 2021 – 12 investments, the largest being $535.1 (software and services)). By increasing (decreasing) the credit spreads applied at December 31, 2022 by 100 basis points, the fair value of this asset class would collectively decrease by $23.2 (increase by $24.5).

(2) At December 31, 2022 these mortgage loans consisted of 50 investments, the largest being $250.0 (December 31, 2021 – 36 investments, the largest being $149.4). By increasing (decreasing) the credit spreads applied at December 31, 2022 by 100 basis points, the fair value of this asset class would not change significantly primarily due to the short term nature of these instruments.

(3) These private company preferred shares relate to the company's investment in Digit compulsory convertible preferred shares which were valued using an industry accepted discounted cash flow model that incorporated an unobservable discount rate and long term growth rate. By increasing (decreasing) the discount rate applied at December 31, 2022 by 1.0%, the fair value of the preferred shares would decrease by $308.2 (increase by $591.8); by increasing (decreasing) the long term growth rate applied at December 31, 2022 by 0.5%, the fair value of the preferred shares would increase by $175.8 (decrease by $141.7).

(4) Limited partnerships and other are investment funds managed by third party fund managers and general partners that invest in a diverse range of industries and geographies. These investment funds were valued primarily using net asset value statements provided by those third party fund managers and general partners. The fair values in those statements are determined using quoted prices of the underlying assets, and to a lesser extent, observable inputs where available and unobservable inputs, in conjunction with industry accepted valuation models, where required. In some instances, such investments are classified as Level 3 if they require at least three months' notice to liquidate or redeem. At December 31, 2022 limited partnerships and other consisted of 45 investments, the three largest being $374.8 (oil and gas extraction), $189.5 (industrials) and $176.1 (industrials) (December 31, 2021 – 47 investments, the three largest being $258.2 (industrials), $252.1 (oil and gas extraction) and $192.0 (primarily household appliance manufacturing)). By increasing (decreasing) net asset values at December 31, 2022 by 10%, the fair value of limited partnerships and other would collectively increase (decrease) by $182.4.

(5) *These investment property were primarily valued by third party appraisers using an industry accepted income capitalization approach that incorporated unobservable capitalization rates, discount rates and market rent growth rates. Certain investment property were valued using an industry accepted direct sales comparison approach that incorporated unobservable recent sale prices per acre for comparable properties in similar locations.*

Investment Income

An analysis of investment income for the years ended December 31 follows:

Interest and dividends and share of profit of associates

	2022	2021
Interest income:		
Cash and short term investments	101.5	26.8
Bonds	753.1	488.5
Derivatives and other invested assets	18.9	53.1
	873.5	568.4
Dividends:		
Preferred stocks	39.7	14.1
Common stocks	100.7	94.1
	140.4	108.2
Investment expenses	(52.1)	(35.8)
Interest and dividends	961.8	640.8
Share of profit of associates (note 6)	1,014.7	402.0

Net gains (losses) on investments

	2022			2021		
	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses) on investments	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses) on investments
Common stocks	364.5[1]	(607.2)[1]	(242.7)	483.4	850.0	1,333.4
Preferred stocks – convertible	1.4	(5.8)	(4.4)	0.7	2.1	2.8
Bonds – convertible	10.2	(247.2)	(237.0)	0.2	101.1	101.3
Other equity derivatives[2][3]	331.7[4]	(140.9)[4]	190.8	461.5	170.1	631.6
Disposition of non-insurance associates	45.1	–	45.1	52.7[5]	–	52.7
Deconsolidation of non-insurance subsidiaries	4.4	–	4.4	190.3[6]	–	190.3
Long equity exposures and financial effects	757.3	(1,001.1)	(243.8)	1,188.8	1,123.3	2,312.1
Bonds	(183.6)	(1,064.9)	(1,248.5)	338.0[7]	(624.6)[7]	(286.6)
U.S. treasury bond forward contracts	163.0	(0.6)	162.4	26.0	(0.3)	25.7
Total bonds	(20.6)	(1,065.5)	(1,086.1)	364.0	(624.9)	(260.9)
Preferred stocks	12.9	(101.1)	(88.2)	1.5	1,507.4[8]	1,508.9
Other derivative contracts	(62.0)	86.6	24.6	(157.2)	181.3	24.1
Foreign currency[9]	105.8	(410.1)	(304.3)	(64.5)	(28.6)	(93.1)
Other	(36.3)	0.2	(36.1)	130.4	(176.4)	(46.0)
Net gains (losses) on investments	757.1	(2,491.0)	(1,733.9)	1,463.0	1,982.1	3,445.1

(1) *On August 31, 2022 Stelco repurchased 5.1 million of its outstanding common shares under its substantial issuer bid which resulted in the loss of a certain right held by another investor and the company's ownership interest in Stelco increasing to 20.5%. Accordingly, the company commenced applying the equity method of accounting to its interest in Stelco at that date, resulting in unrealized gains of $151.9 being reclassified to realized with a net impact of nil in the consolidated statement of earnings, as described in note 6.*

(2) *Other equity derivatives include long equity total return swaps, equity warrants and options and the Asset Value Loan Notes ("AVLNs") entered with RiverStone Barbados as described in note 23. Net change in unrealized gains (losses) in 2022 included $100.6 in unrealized gains (2021 – $91.8) on the company's investment in long equity total return swaps on Fairfax subordinate voting shares, with the fair value of $196.3 at December 31, 2022 (December 31, 2021 – $95.7) recorded in holding company cash and investments, as described in note 7.*

(3) *Amounts recorded in net realized gains (losses) include net gains (losses) on total return swaps where the counterparties are generally required to cash-settle monthly or quarterly the market value movement since the previous reset date notwithstanding that the total return swap positions remain open subsequent to the cash settlement. Net realized gains (losses) in 2022 included $154.8 in realized gains (2021 – $130.9) on the company's investment in long equity total return swaps on Fairfax subordinate voting shares, which represented cash-settlement amounts recorded in holding company cash and investments.*

(4) *On April 6, 2022 the company acquired 25.0 million Atlas common shares by exercising its Atlas equity warrants with a strike price of $8.05 per share for aggregate cash consideration of $201.3 and recognized a net loss on investment of $37.2 (realized gains of $58.6, of which $95.8 was recorded as unrealized gains in prior years) on derecognition of the equity warrants as described in note 6.*

(5) *During 2021 the company sold a portion of its investment in IIFL Finance for cash proceeds of $113.7 (8.6 billion Indian rupees) and recorded a net realized gain of $42.0 in the consolidated statement of earnings as described in note 6.*

(6) *Principally comprised of the sale of Toys "R" Us Canada and Fairfax India's sale of Privi during 2021.*

(7) *Includes the derecognition of Seaspan Corporation debentures that were exchanged for Atlas Corp. preferred shares and Seaspan Corporation debentures that were redeemed as described in note 6.*

(8) *Includes net unrealized gains of $1,490.3 (inclusive of foreign exchange losses) on Digit compulsory convertible preferred shares during 2021 described earlier in this note.*

(9) *Foreign currency net losses on investing activities during 2022 primarily related to the strengthening of the U.S. dollar relative to the company's investments denominated in the Indian rupee, Canadian dollar, Egyptian pound, Sri Lankan rupee and British pound, partially offset by foreign currency net gains on U.S. dollar denominated investments held by subsidiaries with a Canadian dollar or British pound functional currency as the U.S. dollar strengthened relative to those currencies. Foreign currency net losses on investing activities during 2021 primarily related to euro and Indian rupee denominated investments held by subsidiaries with a U.S. dollar functional currency as the U.S. dollar strengthened relative to those currencies.*

6. Investments in Associates

The company's investments in associates are as follows:

	December 31, 2022					Year ended December 31, 2022
			Carrying value			
	Ownership percentage[(a)]	Fair value[(b)]	Associates and joint ventures	Fairfax India associates[(c)]	Total	Share of profit (loss)
Insurance and reinsurance:						
Gulf Insurance Group K.S.C.P. ("Gulf Insurance")	43.7%	415.8	403.4	–	403.4	53.0
Go Digit Infoworks Services Private Limited ("Digit")[(1)]	49.0%	479.3	104.4	–	104.4	(11.0)
Other	–	173.9	139.5	–	139.5	(11.6)
		1,069.0	647.3	–	647.3	30.4
Non-insurance:						
India						
Bangalore International Airport Limited ("Bangalore Airport")	54.0%	1,233.7	–	521.1	521.1	(5.7)
Quess Corp Limited ("Quess")	30.9%	228.3	459.6[(d)]	–	459.6	6.8
IIFL Finance Limited ("IIFL Finance")	22.3%	493.3	–	242.8	242.8	36.5
Sanmar Chemicals Group ("Sanmar")	42.9%	337.8	–	159.8	159.8	36.4
CSB Bank Limited ("CSB Bank")	49.7%	223.3	–	194.5	194.5	40.8
IIFL Securities Limited ("IIFL Securities")	37.1%	87.9	35.3	97.9	133.2	14.6
Seven Islands Shipping Limited ("Seven Islands")	48.5%	96.9	–	97.9	97.9	9.8
Other	–	38.0	10.8	28.6	39.4	3.3
		2,739.2	505.7	1,342.6	1,848.3	142.5
Real estate						
KWF Real Estate Ventures Limited Partnerships ("KWF LPs")	–	101.1	101.1[(d)]	–	101.1	16.5
Other[(6)]	–	61.3	63.3	–	63.3	2.8
		162.4	164.4	–	164.4	19.3
Other						
Eurobank Ergasias Services & Holdings S.A ("Eurobank")	32.2%	1,344.5	1,507.6	–	1,507.6	263.0
Atlas Corp. ("Atlas", formerly Seaspan Corporation)[(7)]	43.2%	1,864.7	1,506.3	–	1,506.3	258.2
Resolute Forest Products Inc. ("Resolute")[(8)]	32.2%	508.5	508.5	–	508.5	159.0
Stelco Holdings Inc. ("Stelco")[(9)]	23.6%	423.3	304.8	–	304.8	–
EXCO Resources Inc. ("EXCO")	44.4%	544.8	288.4	–	288.4	81.9
Helios Fairfax Partners Corporation ("HFP")	34.4%	104.1	183.2	–	183.2	(23.9)
Peak Achievement Athletics ("Peak Achievement")	42.6%	195.3	124.4[(d)]	–	124.4	7.7
Partnerships, trusts and other	–	296.5	350.7	–	350.7	76.6
		5,281.7	4,773.9	–	4,773.9	822.5
		8,183.3	5,444.0	1,342.6	6,786.6	984.3
Investments in associates		9,252.3	6,091.3	1,342.6	7,433.9	1,014.7
As presented on the consolidated balance sheet:						
Investments in associates		6,772.9			6,091.3	
Fairfax India investments in associates		2,479.4			1,342.6	
		9,252.3			7,433.9	

	December 31, 2021					Year ended December 31, 2021
			Carrying value			
	Ownership percentage[(a)]	Fair value[(b)]	Associates and joint ventures	Fairfax India associates[(c)]	Total	Share of profit (loss)
Insurance and reinsurance:						
Gulf Insurance Group K.S.C.P. ("Gulf Insurance")[(2)]	43.7%	409.5	380.0	–	380.0	55.5
Go Digit Infoworks Services Private Limited ("Digit")	49.0%	498.3	79.1	–	79.1	5.3
Other[(3)(4)(5)]	–	191.3	148.3	–	148.3	11.8
		1,099.1	607.4	–	607.4	72.6
Non-insurance:						
India						
Bangalore International Airport Limited ("Bangalore Airport")[(13)]	54.0%	1,372.2	–	585.8	585.8	(45.8)
Quess Corp Limited ("Quess")	31.0%	528.5	506.3[(d)]	–	506.3	(1.4)
IIFL Finance Limited ("IIFL Finance")[(10)]	22.3%	318.1	–	198.8	198.8	40.6
Sanmar Chemicals Group ("Sanmar")	42.9%	421.2	–	124.2	124.2	(2.4)
CSB Bank Limited ("CSB Bank")	49.7%	227.6	–	180.8	180.8	27.6
IIFL Securities Limited ("IIFL Securities")	37.2%	138.0	35.0	101.0	136.0	14.0
Seven Islands Shipping Limited ("Seven Islands")	48.5%	105.9	–	98.5	98.5	(0.5)
Other	–	84.8	10.9	59.8	70.7	0.5
		3,196.3	552.2	1,348.9	1,901.1	32.6
Real estate						
KWF Real Estate Ventures Limited Partnerships ("KWF LPs")	–	76.3	76.3[(d)]	–	76.3	(9.0)
Other	–	139.6	140.5	–	140.5	(1.7)
		215.9	216.8	–	216.8	(10.7)
Other						
Eurobank Ergasias Services & Holdings S.A ("Eurobank")	32.2%	1,210.3	1,298.5	–	1,298.5	162.3
Atlas Corp. ("Atlas", formerly Seaspan Corporation)[(11)]	36.7%	1,285.8	922.1	–	922.1	69.5
Resolute Forest Products Inc. ("Resolute")	32.3%	377.1	275.8	–	275.8	75.9
EXCO Resources Inc. ("EXCO")	43.3%	267.2	195.4	–	195.4	(41.2)
Helios Fairfax Partners Corporation ("HFP")[(12)]	34.4%	116.2	206.1	–	206.1	(1.2)
Peak Achievement Athletics ("Peak Achievement")	42.6%	181.2	140.5[(d)]	–	140.5	13.3
Partnerships, trusts and other	–	342.1	340.3	–	340.3	28.9
		3,779.9	3,378.7	–	3,378.7	307.5
		7,192.1	4,147.7	1,348.9	5,496.6	329.4
Investments in associates		8,291.2	4,755.1	1,348.9	6,104.0	402.0
As presented on the consolidated balance sheet:						
Investments in associates		5,671.9			4,755.1	
Fairfax India investments in associates		2,619.3			1,348.9	
		8,291.2			6,104.0	

(a) *Ownership percentages include the effects of financial instruments that are considered in-substance equity.*

(b) *See note 5 for fair value hierarchy information.*

(c) *Fairfax India's associates are domiciled in India.*

(d) *These investments are joint ventures.*

Insurance and reinsurance associates and joint ventures

(1) Digit Insurance and the company applied to the Insurance Regulatory and Development Authority of India ("IRDAI") for approval to convert the company's holdings in compulsory convertible preferred shares issued by Digit ("Digit CCPS") into equity shares of Digit. The IRDAI subsequently communicated that the application could not be considered in its current form as conversion of the Digit CCPS would result in Digit (currently classified as an "Indian promoter" of Digit Insurance) becoming a subsidiary of the company, which was, at such time, prohibited under the then prevailing Indian insurance regulations. Since then, the IRDAI has enacted new regulations that have introduced a definition of a "Foreign Promoter", which would permit an Indian insurance company (like Digit Insurance) to be a subsidiary of a "Foreign Promoter". However, Digit does not currently qualify as a "Foreign Promoter" under these new regulations. Digit, Digit Insurance and the company intend to continue to explore all avenues under applicable law to achieve the company's majority ownership of Digit through conversion of the company's Digit CCPS.

(2) On February 8, 2021 the company entered into an arrangement to purchase (unless sold earlier) certain portfolio investments owned by RiverStone Barbados as described in note 23 and subsequently commenced applying the equity method of accounting to its interest in Gulf Insurance pursuant to that arrangement.

(3) On July 14, 2021 the company increased its interest in Eurolife to 80.0% and commenced consolidating Eurolife as described in note 23.

(4) On June 17, 2021 the company increased its equity interest in Singapore Re from 28.2% to 94.0% and commenced consolidating Singapore Re as described in note 23.

(5) On August 23, 2021 the company completed the sale of its joint venture interest in RiverStone Barbados, pursuant to the transactions described in note 23.

Non-insurance associates and joint ventures

(6) On July 5, 2022 the company increased its interest in Grivalia Hospitality S.A. ("Grivalia Hospitality") to 78.4% from 33.5% and commenced consolidating Grivalia Hospitality as described in note 23.

(7) On April 6, 2022 the company acquired 25.0 million Atlas common shares by exercising its equity warrants in Atlas with a strike price of $8.05 per share for aggregate cash consideration of $201.3. On derecognition of the equity warrants, the company recorded a net loss on investment of $37.2 (realized gains of $58.6, of which $95.8 was recorded as unrealized gains in prior years) and recorded the fair value of these shares of $335.3 as an addition to its equity accounted investment in Atlas.

On October 4, 2022, the company increased its interest in Atlas to 43.2% through the purchase of Atlas common shares held through the company's investment in AVLNs entered with RiverStone Barbados (as described in note 23) for cash consideration of $84.8.

On October 31, 2022 a consortium composed of the company, the Washington Family, David Sokol, Chairman of the Board of Directors of Atlas, and Ocean Network Express Pte. Ltd., a global container, transportation and shipping company (collectively, the "Consortium"), signed a definitive agreement to acquire all of the outstanding common shares of Atlas, other than those shares owned by the Consortium, at a cash purchase price of $15.50, plus payment of all ordinary course quarterly dividends up until closing of the transaction. Pursuant to the transaction, the company would transfer its approximate 45% interest in Atlas, inclusive of the company's interest through its holdings in Atlas equity warrants that were exercised on January 12, 2023 for cash consideration of $78.7, into Poseidon Acquisitions Corp. ("Poseidon", an entity formed by the Consortium), and is not obligated to purchase any additional interest not already owned by the Consortium. The other members of the Consortium have committed to fully fund the cash component of the transaction, and the company would continue its ownership in Atlas as part of the Consortium. Closing of the transaction is expected to be in the first half of 2023, and is subject to receipt of regulatory approvals and certain other customary closing conditions. The company expects to continue to apply the equity method of accounting to its interest in Atlas through its interest in Poseidon on closing of the transaction.

(8) On July 5, 2022 Domtar Corporation entered into a definitive agreement with Resolute to acquire all outstanding common shares of Resolute for a combination of cash consideration of $20.50 and a Contingent Value Right ("CVR") per Resolute common share. The CVR provides holders with the right to a share of any future softwood lumber duty deposit refunds. Pursuant to the transaction, on July 5, 2022 the company measured its investment in Resolute as held for sale and ceased applying the equity method of accounting, with the carrying value and fair value of the associate at December 31, 2022 equal to the fair value of the cash consideration of $508.5 or $20.50 per Resolute common share. The transaction closed on March 1, 2023.

(9) On August 31, 2022 Stelco Holdings Inc. repurchased 5.1 million of its outstanding common shares under its substantial issuer bid which resulted in the loss of a certain right held by another investor and the company's ownership interest in Stelco increasing to 20.5%. Accordingly, the company commenced applying the equity method of accounting to its interest in Stelco which had a fair value of $352.2 (Cdn$461.3) on that date. Stelco is a publicly listed independent steelmaker that produces flat-rolled, coated, and cold-rolled steel products for the construction, automotive, and energy industries in North America.

(10) During 2021 the company reduced its interest in IIFL Finance to 22.3% by selling a portion of its interest for cash proceeds of $113.7 (8.6 billion Indian rupees) and recorded a net realized gain of $42.0 in the consolidated statement of earnings.

(11) On June 11, 2021 the company entered into an exchange and amendment transaction with Atlas in relation to its investment in $575.0 principal amount of debentures issued by Seaspan Corporation ("Seaspan"), an operating subsidiary of Atlas, whereby the company exchanged $288.0 principal amount of those Seaspan debentures for newly-issued Atlas Series J preferred shares and equity warrants with an exercise price of $13.71 per share. The terms of the remaining Seaspan debentures were amended to primarily remove the

company's mandatory put rights and discharge all outstanding guarantees and liens on collateral. The company derecognized the Seaspan debentures that were exchanged and recorded its investment in the Atlas preferred shares and warrants as preferred stocks and derivatives respectively on the consolidated balance sheet. On August 23, 2021 Atlas redeemed the remaining $287.0 principal amount of the Seaspan debentures.

(12) On March 31, 2021 the company invested $100.0 in $100.0 principal amount of Helios Fairfax Partners Corporation ("HFP") 3.0% unsecured debentures and warrants to purchase 3 million HFP subordinate voting shares exercisable at $4.90 per share any time prior to the fifth anniversary of closing. The debentures will mature on the third anniversary of closing or, at the company's option, on either the first or second anniversary. At redemption or maturity, if the fair value of certain Fairfax Africa legacy investments held by HFP are below their fair value at June 30, 2020 of $102.6, the redemption price of the debentures will be reduced by that difference. The company recorded the debentures at their initial fair value of $78.0 and recorded the balance of $22.0 as an addition to its equity accounted investment in HFP.

Fairfax India

(13) On September 16, 2021 Fairfax India transferred 43.6% out of its 54.0% equity interest in Bangalore Airport to Anchorage Infrastructure Investments Holdings Limited ("Anchorage"), its wholly-owned holding company for investments in the airport sector of India, and sold an 11.5% equity interest in Anchorage to OMERS for gross proceeds of $129.2 (9.5 billion Indian rupees). Upon closing Fairfax India recorded a non-controlling interest in Anchorage and continued to equity account for its aggregate 54.0% equity interest in Bangalore Airport.

Annual changes in carrying value

Changes in the carrying value of investments in associates for the years ended December 31 were as follows:

	2022			
	Associates	**Joint ventures**	**Fairfax India associates**	**Total**
Balance – January 1	3,858.7	896.4	1,348.9	6,104.0
Share of pre-tax comprehensive income (loss):				
Share of profit	856.6	26.1	132.0	1,014.7
Share of other comprehensive income (loss), excluding gains (losses) on defined benefit plans	(111.5)	(53.0)	14.4	(150.1)
Share of gains (losses) on defined benefit plans	74.4	0.6	(5.4)	69.6
	819.5	(26.3)	141.0	934.2
Dividends and distributions received	(142.2)	(33.7)	(7.0)	(182.9)
Purchases and acquisitions	429.1	88.6	10.1	527.8
Divestitures and other net changes in capitalization	9.9	(11.9)	34.4	32.4
Reclassifications[(1)]	352.2	(114.3)	(40.4)	197.5
Foreign exchange effect and other	(16.8)	(17.9)	(144.4)	(179.1)
Balance – December 31	5,310.4	780.9	1,342.6	7,433.9

	2021			
	Associates	**Joint ventures**	**Fairfax India associates**	**Total**
Balance – January 1	3,170.4	1,940.9	1,328.3	6,439.6
Share of pre-tax comprehensive income (loss):				
Share of profit	375.8	6.0	20.2	402.0
Share of other comprehensive income (loss), excluding gains (losses) on defined benefit plans	(67.7)	(20.5)	0.3	(87.9)
Share of gains (losses) on defined benefit plans	89.1	0.1	(9.4)	79.8
	397.2	(14.4)	11.1	393.9
Dividends and distributions received	(153.8)	(23.6)	(4.6)	(182.0)
Purchases and acquisitions	466.5	114.4	35.7	616.6
Divestitures and other net changes in capitalization	(54.8)	(764.4)	0.9	(818.3)
Reclassifications[(1)]	36.4	(352.0)	–	(315.6)
Foreign exchange effect and other	(3.2)	(4.5)	(22.5)	(30.2)
Balance – December 31	3,858.7	896.4	1,348.9	6,104.0

(1) Primarily reflects the consolidation of Grivalia Hospitality and the commencement of the equity method of accounting for Stelco in 2022, and the consolidation of Eurolife and Singapore Re and the commencement of the equity method of accounting for a limited partnership investment in 2021. See note 23.

7. Derivatives

The following table summarizes the company's derivative financial instruments:

	December 31, 2022				December 31, 2021			
	Notional		Fair value		Notional		Fair value	
	amount	Cost	Assets	Liabilities	amount	Cost	Assets	Liabilities
Equity derivative contracts[(1)]	1,946.5	68.0	258.1	19.4	1,728.9	113.9	355.3	3.8
RiverStone Barbados AVLNs (note 23)	517.5	–	30.7	–	1,250.1	–	103.8	–
Foreign currency derivative contracts[(2)]	–	–	49.0	106.8	–	–	58.4	77.4
Other derivative contracts	–	289.8	130.0	64.8	–	263.3	64.3	71.7
Total			467.8	191.0			581.8	152.9

(1) Includes the company's investment in Atlas warrants with a fair value at December 31, 2022 of $13.5 (December 31, 2021 – $200.1), which were subsequently exercised on January 12, 2023 as described in note 6.

(2) Includes AGT's foreign currency forward and swap liabilities with a fair value at December 31, 2022 of $56.2 (December 31, 2021 – $47.6).

The company is exposed to significant market risk (comprised of foreign currency risk, interest rate risk and other price risk) through its investing activities. Derivative contracts entered into by the company, with limited exceptions, are considered investments or economic hedges and are not designated as hedges for financial reporting.

Equity derivative contracts

Long equity total return swaps

During 2022 the company entered into $217.4 notional amount of long equity total return swaps for investment purposes. At December 31, 2022 the company held long equity total return swaps on individual equities for investment purposes with an original notional amount of $1,012.6 (December 31, 2021 – $866.2), which included an aggregate of 1,964,155 Fairfax subordinate voting shares with an original notional amount of $732.5 (Cdn$935.0) or approximately $372.96 (Cdn$476.03) per share at December 31, 2022 and 2021. During 2022 the long equity total return swaps on Fairfax subordinate voting shares produced net gains of $255.4 (2021 – $222.7). Long equity total return swaps provide a return which is directly correlated to changes in the fair values of the underlying individual equities.

During 2022 the company received net cash of $238.2 (2021 – $439.6) in connection with the closures and reset provisions of its long equity total return swaps (excluding the impact of collateral requirements). During 2022 the company closed out $63.0 notional amount (2021 – $1,876.7) of its long equity total return swaps and recorded net realized losses on investments of $8.1 (2021 – net realized gains of $243.0).

RiverStone Barbados Asset Value Loan Notes

Pursuant to the sale of RiverStone Barbados in 2021 as described in note 23, the company, through financial instruments referred to as AVLNs, had guaranteed the then value of approximately $1.3 billion of certain securities held by the purchaser and certain affiliates thereof until such time that the securities are purchased by or sold at the direction of Hamblin Watsa, prior to the end of 2022. Should the company direct that the securities be sold, any difference between their fair value and guaranteed value will be settled in cash. On July 5, 2022 AVLNs with a guaranteed value of $543.4 were amended such that the underlying securities must be purchased by or sold at the direction of Hamblin Watsa prior to the end of 2023. The remainder of the AVLNs were unchanged and during 2022 all securities that were required to be purchased by or sold at the direction of Hamblin Watsa prior to the end of 2022 pursuant to the terms of the amended agreement were re-acquired, and in addition, certain of the amended AVLNs were purchased in the second half of 2022. At December 31, 2022 the fair value of the AVLNs was a derivative asset of $30.7 (December 31, 2021 – $103.8), with a remaining guaranteed value of $486.8.

Foreign currency derivative contracts

Foreign currency forward contracts

Long and short foreign currency forward contracts, primarily denominated in the euro, the British pound sterling and the Canadian dollar, are used to manage certain foreign currency exposures arising from foreign currency denominated transactions. These contracts have an average term to maturity of less than one year and may be renewed at market rates.

Other derivative contracts

U.S. treasury bond forward contracts

To reduce its exposure to interest rate risk (primarily exposure to certain long dated U.S. corporate bonds and U.S. state and municipal bonds held in its fixed income portfolio), the company held forward contracts to sell long dated U.S. treasury bonds with a notional amount at December 31, 2022 of $183.7 (December 31, 2021 – $1,691.3). The decrease in U.S. treasury bond forward contracts held primarily reflected the closing of certain contracts as interest rates increased during the second half of 2022 and from the corresponding decrease in the company's exposure to certain U.S. corporate bonds from sales completed in late 2021. These contracts have an average term to maturity of less than six months, and may be renewed at market rates. During 2022 the company recorded net gains on investments of $162.4 (2021 – $25.7) on its U.S. treasury bond forward contracts.

Counterparty collateral

Collateral deposits on derivative contracts for the benefit of the company

The company endeavours to limit counterparty risk through diligent selection of counterparties to its derivative contracts and through the terms of negotiated agreements. The fair value of collateral deposited for the benefit of the company at December 31, 2022 consisted of cash of $9.5 and government securities of $274.9 (December 31, 2021 – $14.3 and $125.7). The cash is recorded on the consolidated balance sheet in subsidiary cash and short term investments with a corresponding liability recorded in accounts payable and accrued liabilities. The company had not exercised its right to sell or repledge collateral at December 31, 2022. The company's exposure to counterparty risk and the management thereof are discussed in note 24.

Collateral deposits on derivative contracts for the benefit of the derivative counterparties

At December 31, 2022 the fair value of collateral deposited for the benefit of derivative counterparties included in holding company cash and investments and in assets pledged for derivative obligations was $155.9 (December 31, 2021 – $230.5), comprised of collateral of $124.8 (December 31, 2021 – $221.2) required to be deposited to enter into such derivative contracts (principally related to total return swaps), and collateral of $31.1 (December 31, 2021 – $9.3) securing amounts owed to counterparties in respect of fair value changes since the most recent reset date.

Hedge of net investment in Canadian subsidiaries

At December 31, 2022 the company had designated the carrying value of Cdn$2,800.0 principal amount of its Canadian dollar denominated unsecured senior notes with a fair value of $1,926.8 (December 31, 2021 – principal amount of Cdn$2,800.0 with a fair value of $2,364.6) as a hedge of a portion of its net investment in subsidiaries with a Canadian dollar functional currency. During 2022 the company recognized pre-tax gains of $149.5 (2021 – pre-tax losses of $16.7) related to exchange rate movements on the Canadian dollar denominated unsecured senior notes in gains (losses) on hedge of net investment in Canadian subsidiaries in the consolidated statement of comprehensive income.

Hedge of net investment in European operations

At December 31, 2022 the company had designated the carrying value of €750.0 principal amount of its euro denominated unsecured senior notes with a fair value of $698.3 (December 31, 2021 – principal amount of €750.0 with a fair value of $926.3) as a hedge of its net investment in European operations with a euro functional currency. During 2022 the company recognized pre-tax gains of $51.8 (2021 – $63.9) related to exchange rate movements on the euro denominated unsecured senior notes in gains on hedge of net investment in European operations in the consolidated statement of comprehensive income.

8. Insurance Contract Liabilities

	December 31, 2022			December 31, 2021		
	Gross	Ceded	Net	Gross	Ceded	Net
Provision for unearned premiums	11,691.8	2,413.1	9,278.7	10,437.7	2,260.0	8,177.7
Provision for losses and loss adjustment expenses	38,319.2	9,245.9	29,073.3	34,422.8	8,943.9	25,478.9
Property and casualty insurance contract liabilities	50,011.0	11,659.0	38,352.0	44,860.5	11,203.9	33,656.6
Provision for life policy benefits[(1)(2)]	2,188.6	2.6	2,186.0	2,486.0	2.3	2,483.7
Insurance contract liabilities	52,199.6	11,661.6	40,538.0	47,346.5	11,206.2	36,140.3
Current	23,807.9	5,052.4	18,755.5	20,618.3	4,740.3	15,878.0
Non-current	28,391.7	6,609.2	21,782.5	26,728.2	6,465.9	20,262.3
	52,199.6	11,661.6	40,538.0	47,346.5	11,206.2	36,140.3

(1) Eurolife was consolidated on July 14, 2021 as described in note 23.

(2) Provision for life policy benefits includes gross and ceded provisions for unearned premiums of $18.2 and $0.4 (2021 – $16.5 and nil).

At December 31, 2022 the company's net provision for losses and loss adjustment expenses of $29,073.3 (December 31, 2021 – $25,478.9) was comprised of case reserves of $10,933.9 and IBNR of $18,139.4 (December 31, 2021 – $10,258.5 and $15,220.4).

Provision for unearned premiums, gross

Changes in the property and casualty provision for unearned premiums for the years ended December 31 were as follows:

	2022	2021
Provision for unearned premiums – January 1	10,437.7	8,397.5
Gross premiums written	27,561.7	23,796.0
Less: gross premiums earned	(26,106.7)	(21,673.6)
Acquisitions of subsidiaries (note 23)	–	64.1
Divestiture of subsidiary	–	(62.9)
Foreign exchange effect and other	(200.9)	(83.4)
Provision for unearned premiums – December 31	11,691.8	10,437.7

Provision for losses and loss adjustment expenses, gross

Changes in the property and casualty provision for losses and loss adjustment expenses for the years ended December 31 were as follows:

	2022	2021
Provision for losses and loss adjustment expenses – January 1	34,422.8	30,809.3
Decrease in estimated losses and expenses for claims occurring in the prior years	(44.0)	(283.1)
Losses and expenses for claims occurring in the current year	17,300.2	14,396.8
Paid on claims occurring during:		
the current year	(3,978.6)	(3,148.6)
the prior years	(8,734.7)	(7,212.8)
Acquisitions of subsidiaries (note 23)	3.8	297.3
Divestiture of subsidiary	–	(18.7)
Foreign exchange effect and other[(1)]	(650.3)	(417.4)
Provision for losses and loss adjustment expenses – December 31	38,319.2	34,422.8

(1) Foreign exchange effect and other principally reflected the decrease of reserves denominated in the Canadian dollar, British pound, euro and Argentinian peso which weakened against the U.S. dollar (2021 – principally reflected the decrease of reserves denominated in the euro, Chilean peso, Argentinian peso, Colombian peso and South African rand which weakened against the U.S. dollar).

Provision for life policy benefits

Changes in the provision for life policy benefits for the years ended December 31, following the acquisition of Eurolife on July 14, 2021, were as follows:

	2022	2021
Provision for life policy benefits – January 1	2,486.0	–
Acquisition of subsidiary (note 23)	–	2,638.5
New business and renewals	275.9	78.1
Surrenders, lapses, maturities and deaths	(359.4)	(121.0)
Foreign exchange effect and other[1]	(213.9)	(109.6)
Provision for life policy benefits – December 31	2,188.6	2,486.0

(1) Foreign exchange effect and other principally reflected the depreciation of euro denominated reserves against the U.S. dollar.

Development of insurance losses, gross

The development of insurance liabilities illustrates the estimation uncertainty associated with these liabilities and provides a measure of the company's ability to estimate the ultimate value of claims. The loss development table below shows the provision for losses and loss adjustment expenses at the end of each calendar year, the cumulative payments made in respect of those reserves in subsequent years and the re-estimated amount of each calendar year's provision for losses and loss adjustment expenses as at December 31, 2022.

	Calendar year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Property and casualty provision for losses and loss adjustment expenses	19,212.8	17,749.1	19,816.4	19,481.8	28,610.8	29,081.7	28,500.2	30,809.3	34,422.8	38,319.2
Less: CTR Life[1]	17.9	15.2	14.2	12.8	8.7	8.0	7.0	5.5	4.4	4.4
	19,194.9	17,733.9	19,802.2	19,469.0	28,602.1	29,073.7	28,493.2	30,803.8	34,418.4	38,314.8
Cumulative payments as of:										
One year later	4,081.1	3,801.6	4,441.4	4,608.0	7,564.0	7,732.0	7,288.8	7,180.7	8,734.7	
Two years later	6,787.6	6,364.5	7,283.6	7,631.4	12,081.3	12,313.5	11,598.0	12,501.3		
Three years later	8,775.5	8,172.7	9,466.5	9,655.9	15,222.3	15,363.3	15,475.2			
Four years later	10,212.4	9,561.8	10,914.2	11,122.6	17,378.8	18,132.3				
Five years later	11,354.4	10,496.4	12,013.9	12,233.4	19,340.9					
Six years later	12,123.4	11,202.2	12,859.5	13,190.6						
Seven years later	12,754.2	11,793.5	13,568.0							
Eight years later	13,283.6	12,390.7								
Nine years later	13,840.6									
Reserves re-estimated as of:										
One year later	18,375.6	16,696.4	19,169.3	19,343.1	27,580.6	28,974.3	28,225.5	30,360.1	33,931.1	
Two years later	17,475.0	16,269.2	18,973.6	18,804.8	27,565.9	28,839.4	28,165.4	30,267.4		
Three years later	17,307.9	16,114.0	18,502.5	18,752.8	27,451.3	28,990.4	28,242.2			
Four years later	17,287.2	15,938.9	18,469.1	18,743.9	27,698.6	29,284.5				
Five years later	17,203.5	16,049.6	18,490.5	19,046.6	27,997.0					
Six years later	17,340.1	16,123.1	18,759.5	19,203.7						
Seven years later	17,420.0	16,403.8	18,866.6							
Eight years later	17,680.5	16,595.5								
Nine years later	17,843.1									
Favourable (adverse) development	1,351.8	1,138.4	935.6	265.3	605.1	(210.8)	251.0	536.4	487.3	
Favourable development comprised of:										
Effect of foreign currency translation	522.8	326.8	(129.1)	(84.5)	759.2	395.7	452.9	425.6	443.3	
Favourable (adverse) loss reserve development	829.0	811.6	1,064.7	349.8	(154.1)	(606.5)	(201.9)	110.8	44.0	
	1,351.8	1,138.4	935.6	265.3	605.1	(210.8)	251.0	536.4	487.3	

(1) Guaranteed minimum death benefit retrocessional business written by Compagnie Transcontinentale de Réassurance ("CTR Life"), a wholly owned subsidiary of the company that was transferred to Wentworth and placed into run-off in 2002.

The effect of foreign currency translation in the table above primarily arose on translation to U.S. dollars of loss reserves of subsidiaries with functional currencies other than the U.S. dollar. The company's exposure to foreign currency risk and the management thereof are discussed in note 24.

Loss reserve development in the table above excludes the loss reserve development of a subsidiary in the year it is acquired whereas the consolidated statement of earnings includes the loss reserve development of a subsidiary from its acquisition date.

Favourable loss reserve development in calendar year 2022 of $44.0 in the table above was principally comprised of favourable loss emergence on accident years 2021, 2020 and 2019, partially offset by adverse development primarily related to asbestos and other latent claims liabilities.

Development of losses and loss adjustment expenses for asbestos

A number of the company's subsidiaries wrote general liability policies and reinsurance prior to their acquisition by the company under which policyholders continue to present asbestos-related injury claims. Substantially all of these claims are presented under policies written many years ago and reside primarily within U.S. Run-off.

There is a great deal of uncertainty surrounding these types of claims, which affects the ability of insurers and reinsurers to estimate the ultimate amount of unpaid claims and related settlement expenses. The majority of these claims differ from most other types of claims because there is inconsistent precedent, if any at all, to determine what, if any, coverage exists or which, if any, policy years and insurers or reinsurers may be liable. These uncertainties are exacerbated by judicial and legislative interpretations of coverage that in some cases have eroded the clear and express intent of the parties to the insurance contracts, and in others have expanded theories of liability.

Changes in the company's provision for losses and loss adjustment expenses related to U.S. asbestos exposure on a gross and net basis for the years ended December 31 were as follows:

	2022		2021	
	Gross	**Net**	**Gross**	**Net**
Provision for asbestos claims and loss adjustment expenses – January 1	1,036.7	838.9	1,030.6	840.0
Losses and loss adjustment expenses incurred	215.8	113.7	199.1	151.6
Losses and loss adjustment expenses paid	(175.2)	(132.5)	(193.0)	(152.7)
Provision for asbestos claims and loss adjustment expenses – December 31	1,077.3	820.1	1,036.7	838.9

9. Reinsurance

Reinsurers' share of insurance contract liabilities was comprised as follows:

	December 31, 2022			December 31, 2021		
	Gross recoverable from reinsurers	**Provision for uncollectible reinsurance[(1)]**	**Recoverable from reinsurers**	**Gross recoverable from reinsurers**	**Provision for uncollectible reinsurance[(1)]**	**Recoverable from reinsurers**
Provision for losses and loss adjustment expenses	9,274.8	(26.7)	9,248.1	8,989.3	(43.1)	8,946.2
Reinsurers' share of paid losses	1,599.4	(145.2)	1,454.2	1,019.9	(135.6)	884.3
Provision for unearned premiums	2,413.5	–	2,413.5	2,260.0	–	2,260.0
	13,287.7	(171.9)	13,115.8	12,269.2	(178.7)	12,090.5
Current			6,414.4			5,572.4
Non-current			6,701.4			6,518.1
			13,115.8			12,090.5

(1) Management of credit risk on reinsurance recoverables is discussed in note 24.

Changes in reinsurers' share of paid losses, unpaid losses and unearned premiums, and the provision for uncollectible reinsurance for the years ended December 31 were as follows:

	2022				
	Paid losses	Unpaid losses	Unearned premiums	Provision for uncollectible reinsurance	Recoverable from reinsurers
Balance – January 1	1,019.9	8,989.3	2,260.0	(178.7)	12,090.5
Reinsurers' share of losses paid to insureds	3,142.8	(3,142.8)	–	–	–
Reinsurance recoveries received	(2,551.0)	–	–	–	(2,551.0)
Reinsurers' share of unpaid losses and premiums earned	–	3,642.0	(5,448.8)	–	(1,806.8)
Premiums ceded to reinsurers	–	–	5,640.9	–	5,640.9
Foreign exchange effect and other	(12.3)	(213.7)	(38.6)	6.8	(257.8)
Balance – December 31	1,599.4	9,274.8	2,413.5	(171.9)	13,115.8

	2021				
	Paid losses	Unpaid losses	Unearned premiums	Provision for uncollectible reinsurance	Recoverable from reinsurers
Balance – January 1	818.0	7,971.7	1,899.1	(155.6)	10,533.2
Reinsurers' share of losses paid to insureds	2,360.3	(2,360.3)	–	–	–
Reinsurance recoveries received	(2,152.8)	–	–	–	(2,152.8)
Reinsurers' share of unpaid losses and premiums earned(1)	–	3,479.0	(5,228.8)	–	(1,749.8)
Premiums ceded to reinsurers(1)	–	–	5,632.1	–	5,632.1
Acquisitions of subsidiaries (note 23)	0.3	82.7	16.7	–	99.7
Divestiture of subsidiary	(3.3)	(6.4)	(10.6)	–	(20.3)
Foreign exchange effect and other	(2.6)	(177.4)	(48.5)	(23.1)	(251.6)
Balance – December 31	1,019.9	8,989.3	2,260.0	(178.7)	12,090.5

(1) Effective October 1, 2021 Brit completed a loss portfolio transfer with a third party to reinsure loss reserves for a portfolio of risks predominantly comprised of U.S. casualty and discontinued lines of business relating to prior accident years. Pursuant to this transaction Brit ceded net insurance contract liabilities of $379.1 for consideration of $344.1 and recorded net favourable reserve development of $35.0.

Commission income earned on premiums ceded to reinsurers in 2022 of $1,184.4 (2021 – $1,007.8) is included in commissions, net in the consolidated statement of earnings.

10. Insurance Contract Receivables and Payables

Insurance contract receivables were comprised as follows:

	December 31, 2022	December 31, 2021
Insurance premiums receivable	4,972.7	4,247.1
Reinsurance premiums receivable	2,114.6	1,863.9
Funds withheld receivable	550.6	574.0
Other	269.6	198.2
	7,907.5	6,883.2
Current	7,330.0	6,170.0
Non-current	577.5	713.2
	7,907.5	6,883.2

Changes in insurance premiums receivable and reinsurance premiums receivable for the years ended December 31 were as follows:

	Insurance premiums receivable		Reinsurance premiums receivable	
	2022	2021	2022	2021
Balance – January 1	4,247.1	3,665.6	1,863.9	1,385.3
Gross premiums written	20,516.3	18,118.6	7,396.3	5,791.6
Premiums collected	(17,571.5)	(15,703.6)	(5,366.6)	(3,963.7)
Amounts due to brokers and agents	(2,089.4)	(1,770.1)	(1,806.1)	(1,332.3)
Foreign exchange effect and other	(129.8)	(63.4)	27.1	(17.0)
Balance – December 31	4,972.7	4,247.1	2,114.6	1,863.9

Insurance contract payables were comprised as follows:

	December 31, 2022	December 31, 2021
Payable to reinsurers	2,289.1	2,333.7
Payables associated with unit-linked life insurance products (note 3 and note 23)	662.5	621.7
Ceded deferred premium acquisition costs	564.6	510.3
Funds withheld payable to reinsurers	193.5	274.0
Amounts payable to agents and brokers	112.5	142.4
Accrued premium taxes	105.7	124.1
Accrued commissions	157.8	100.8
Other insurance contract payables	976.2	386.5
	5,061.9	4,493.5
Current	4,101.0	3,503.4
Non-current	960.9	990.1
	5,061.9	4,493.5

11. Deferred Premium Acquisition Costs

Changes in deferred premium acquisition costs for the years ended December 31 were as follows:

	2022	2021
Balance – January 1	1,924.1	1,543.7
Premium acquisition costs deferred	5,212.5	4,502.4
Amortization	(4,932.2)	(4,098.1)
Foreign exchange effect and other	(34.1)	(23.9)
Balance – December 31	2,170.3	1,924.1

12. Goodwill and Intangible Assets

Goodwill and intangible assets were comprised as follows:

	Goodwill	Intangible assets				Total
		Lloyd's participation rights[1]	Customer and broker relationships	Brand names[1]	Computer software and other[1]	
Balance – January 1, 2022	3,084.8	503.2	760.9	1,087.3	492.0	5,928.2
Additions	152.0	–	25.9	(0.3)	267.6	445.2
Disposals[2]	(81.9)	–	(31.6)	(8.5)	(3.2)	(125.2)
Amortization	–	–	(91.7)	–	(134.9)	(226.6)
Impairments[3]	(137.0)	–	–	–	(0.9)	(137.9)
Foreign exchange effect and other	(90.4)	–	(9.6)	(60.2)	(34.5)	(194.7)
Balance – December 31, 2022	2,927.5	503.2	653.9	1,018.3	586.1	5,689.0
Gross carrying amount	3,161.8	503.2	1,279.0	1,060.1	1,594.2	7,598.3
Accumulated amortization	–	–	(631.6)	–	(988.3)	(1,619.9)
Accumulated impairment and other	(234.3)	–	6.5	(41.8)	(19.8)	(289.4)
	2,927.5	503.2	653.9	1,018.3	586.1	5,689.0

	Goodwill	Intangible assets				Total
		Lloyd's participation rights[1]	Customer and broker relationships	Brand names[1]	Computer software and other[1]	
Balance – January 1, 2021	3,126.3	503.2	867.5	1,153.3	578.8	6,229.1
Additions	60.7	–	17.8	27.9	264.3	370.7
Disposals[2]	(28.9)	–	(25.1)	(64.0)	(7.5)	(125.5)
Amortization	–	–	(96.6)	–	(342.8)	(439.4)
Impairments[3]	(52.1)	–	–	(33.1)	(0.1)	(85.3)
Foreign exchange effect and other	(21.2)	–	(2.7)	3.2	(0.7)	(21.4)
Balance – December 31, 2021	3,084.8	503.2	760.9	1,087.3	492.0	5,928.2
Gross carrying amount	3,214.1	503.2	1,338.5	1,139.2	1,427.0	7,622.0
Accumulated amortization	–	–	(577.4)	–	(915.4)	(1,492.8)
Accumulated impairment	(129.3)	–	(0.2)	(51.9)	(19.6)	(201.0)
	3,084.8	503.2	760.9	1,087.3	492.0	5,928.2

(1) Indefinite-lived intangible assets not subject to amortization had an aggregate carrying value at December 31, 2022 of $1,613.6 (December 31, 2021 – $1,686.2).

(2) During 2022 the company sold its interests in the Crum & Forster Pet Insurance Group and Pethealth. During 2021 the company sold the operations of Toys "R" Us Canada and Fairfax India sold its 48.8% equity interest in Privi. See note 23.

(3) Non-cash impairment charges recorded in operating expenses and in other expenses in the consolidated statement of earnings by the insurance and reinsurance companies and Non-insurance companies reporting segment, respectively. During 2022 the company recognized non-cash goodwill impairment charges of $133.4 on Farmers Edge.

Goodwill and intangible assets were allocated to the company's cash-generating units ("CGUs") as follows:

	December 31, 2022			December 31, 2021		
	Goodwill	Intangible assets	Total	Goodwill	Intangible assets	Total
Insurance and reinsurance companies						
Allied World	940.0	519.8	1,459.8	940.0	565.8	1,505.8
Brit	214.6	565.5	780.1	215.6	580.5	796.1
Zenith National	317.6	77.7	395.3	317.6	84.4	402.0
Northbridge	81.6	133.5	215.1	94.9	121.3	216.2
Crum & Forster	132.6	57.8	190.4	189.1	91.0	280.1
Odyssey Group	119.7	50.8	170.5	119.7	54.9	174.6
All other[1]	85.1	108.3	193.4	95.9	116.3	212.2
	1,891.2	1,513.4	3,404.6	1,972.8	1,614.2	3,587.0
Non-insurance companies						
Recipe	298.9	902.2	1,201.1	321.2	980.5	1,301.7
Boat Rocker	86.4	184.8	271.2	89.1	90.2	179.3
AGT	147.6	49.6	197.2	154.4	34.9	189.3
Thomas Cook India	127.7	48.4	176.1	142.1	54.5	196.6
Farmers Edge	63.3	11.4	74.7	208.3	16.0	224.3
All other[2]	312.4	51.7	364.1	196.9	53.1	250.0
	1,036.3	1,248.1	2,284.4	1,112.0	1,229.2	2,341.2
	2,927.5	2,761.5	5,689.0	3,084.8	2,843.4	5,928.2

(1) Comprised primarily of balances related to AMAG Insurance, Eurolife and Pacific Insurance.

(2) Comprised primarily of balances related to Dexterra Group, Fairfax India's subsidiaries (principally from the 2022 acquisitions of Maxop and Jaynix), Grivalia Hospitality (consolidated on July 5, 2022) and Sterling Resorts, and in 2021 included Pethealth (deconsolidated on October 31, 2022).

Impairment tests for goodwill and indefinite-lived intangible assets were completed during 2022 and it was concluded that no significant impairments had occurred, other than non-cash goodwill impairment charges on Farmers Edge of $133.4 which were recognized in 2022. When testing for impairment, the recoverable amount of each CGU or group of CGUs was based on the higher of (i) fair value less costs of disposal, determined using market prices inclusive of a control premium or discounted cash flow models, and (ii) value-in-use, determined using discounted cash flow models.

In preparing discounted cash flow models, cash flow projections typically covering a five year period were derived from financial budgets approved by management. Cash flows beyond the projected periods were extrapolated using estimated growth rates which do not exceed the long term average historic growth rate for the business in which each CGU operates. A number of other assumptions and estimates including premiums, investment returns, revenues, expenses, royalty rates and working capital requirements were required to be incorporated into the discounted cash flow models. The forecasts were based on best estimates of future premiums or revenues and operating expenses using historical trends, general geographical market conditions, industry trends and forecasts and other available information. These assumptions and estimates were reviewed by the applicable CGU's management and by Fairfax management. The cash flow forecasts were adjusted by applying appropriate discount rates within a range of 9.3% to 13.7% for insurance and reinsurance subsidiaries, and 10.5% to 16.9% for non-insurance subsidiaries. A long term investment return of 5.0% was applied to the investment portfolios of insurance and reinsurance subsidiaries. The long term growth rates used to extrapolate cash flows beyond five years for the majority of the CGUs ranged from 3.0% to 3.7%.

13. Other Assets

Other assets were comprised as follows:

	December 31, 2022			December 31, 2021		
	Insurance and reinsurance companies[1]	Non-insurance companies	Total	Insurance and reinsurance companies[1]	Non-insurance companies	Total
Premises and equipment, right-of-use assets (note 22) and non-insurance companies' investment property[2]	684.0	2,199.7	2,883.7	725.6	1,558.4	2,284.0
Assets associated with unit-linked insurance products (note 3 and note 23)	676.5	–	676.5	637.1	–	637.1
Inventories	–	668.2	668.2	–	547.3	547.3
Other revenue receivables	–	638.9	638.9	–	508.4	508.4
Accrued interest and dividends	313.7	3.5	317.2	211.4	3.7	215.1
Income tax, sales tax and subsidies receivable	71.3	204.6	275.9	61.6	170.3	231.9
Prepaid expenses	111.0	134.8	245.8	110.9	94.9	205.8
Finance lease receivables (note 22)	8.8	218.0	226.8	9.4	256.7	266.1
Prepaid losses on claims	168.9	–	168.9	129.4	–	129.4
Pension surplus (note 21)	144.5	–	144.5	113.8	–	113.8
Receivable for securities sold but not yet settled	11.2	–	11.2	135.4	–	135.4
Other[3]	738.5	85.6	824.1	791.1	55.9	847.0
	2,928.4	4,153.3	7,081.7	2,925.7	3,195.6	6,121.3
Current	993.9	1,632.6	2,626.5	989.9	1,343.7	2,333.6
Non-current	1,934.5	2,520.7	4,455.2	1,935.8	1,851.9	3,787.7
	2,928.4	4,153.3	7,081.7	2,925.7	3,195.6	6,121.3

(1) Includes Life insurance and Run-off, and Corporate and Other.

(2) The increase during 2022 principally reflected the consolidation of Grivalia Hospitality and its hospitality real estate as described in note 23.

(3) Principally comprised of other receivables, deposits and deferred compensation plans.

14. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities were comprised as follows:

	December 31, 2022			December 31, 2021		
	Insurance and reinsurance companies[1]	Non-insurance companies	Total	Insurance and reinsurance companies[1]	Non-insurance companies	Total
Lease liabilities (note 22)	364.1	729.9	1,094.0	384.2	756.5	1,140.7
Payables related to cost of sales	–	814.3	814.3	–	580.9	580.9
Salaries and employee benefit liabilities	500.5	98.5	599.0	482.6	85.6	568.2
Amounts withheld and accrued taxes	455.8	30.7	486.5	453.9	23.8	477.7
Deferred gift card, hospitality and other revenue	37.8	392.0	429.8	35.4	318.5	353.9
Income taxes payable	347.0	14.0	361.0	163.8	11.2	175.0
Pension and post retirement liabilities (note 21)	132.9	12.8	145.7	237.4	16.5	253.9
Administrative and other[2]	946.6	338.3	1,284.9	1,150.9	284.2	1,435.1
	2,784.7	2,430.5	5,215.2	2,908.2	2,077.2	4,985.4
Current	1,528.4	1,553.3	3,081.7	1,538.7	1,177.2	2,715.9
Non-current	1,256.3	877.2	2,133.5	1,369.5	900.0	2,269.5
	2,784.7	2,430.5	5,215.2	2,908.2	2,077.2	4,985.4

(1) Includes Life insurance and Run-off and Corporate and Other.

(2) Principally comprised of accrued operating expenses, advances from customers and liabilities related to business acquisitions.

15. Borrowings

	December 31, 2022			December 31, 2021		
	Principal	Carrying value[a]	Fair value[b]	Principal	Carrying value[a]	Fair value[b]
Borrowings – holding company						
Fairfax unsecured notes[d]:						
4.875% due August 13, 2024	282.5	281.6	277.0	282.5	281.1	301.7
4.95% due March 3, 2025 (Cdn$350.0)	258.3	257.2	255.2	277.1	275.4	299.6
8.30% due April 15, 2026[e]	91.8	91.7	98.2	91.8	91.7	113.3
4.70% due December 16, 2026 (Cdn$450.0)	332.1	331.0	323.7	356.3	354.8	387.9
4.25% due December 6, 2027 (Cdn$650.0)	479.7	478.6	455.8	514.6	513.1	551.4
2.75% due March 29, 2028 (€750.0)	800.5	792.2	698.3	852.9	842.4	926.3
4.85% due April 17, 2028	600.0	596.9	568.1	600.0	596.3	668.5
4.23% due June 14, 2029 (Cdn$500.0)	369.0	367.7	342.7	395.8	394.2	424.4
4.625% due April 29, 2030	650.0	646.4	591.1	650.0	645.9	730.0
3.375% due March 3, 2031	600.0	586.8	492.8	600.0	585.1	620.7
3.95% due March 3, 2031 (Cdn$850.0)	627.4	623.2	549.4	672.9	668.0	701.3
5.625% due August 16, 2032[1]	750.0	743.6	707.1	–	–	–
7.75% due July 15, 2037[e]	91.3	90.7	95.2	91.3	90.6	125.4
Revolving credit facility[2]	–	–	–	–	–	–
	5,932.6	5,887.6	5,454.6	5,385.2	5,338.6	5,850.5
Borrowings – insurance and reinsurance companies						
Allied World 4.35% senior notes due October 29, 2025	500.0	502.9	477.7	500.0	503.9	536.9
Allied World revolving credit facility and other borrowings	16.8	19.8	16.9	17.4	20.6	21.1
Zenith National 8.55% debentures due August 1, 2028[d]	38.5	38.3	38.5	38.5	38.3	38.3
Brit 3.6757% subordinated notes due December 9, 2030 (£135.0)	162.4	162.4	120.6	182.9	182.9	174.5
Brit floating rate revolving credit facility	10.0	10.0	10.0	45.0	45.0	45.0
	727.7	733.4	663.7	783.8	790.7	815.8
Borrowings – non-insurance companies[c]						
Fairfax India 5.00% unsecured senior notes due 2028	441.6	438.9	400.7	441.6	438.4	440.3
Fairfax India subsidiary borrowings	122.6	122.2	122.2	91.9	91.3	91.3
AGT credit facilities, senior notes and loans[3]	511.9	508.4	498.8	491.8	488.9	488.9
Recipe term loans and credit facilities[4]	464.0	461.5	436.7	359.0	356.9	356.9
Boat Rocker demand loans and revolving credit facilities	155.4	155.2	155.4	93.8	93.1	93.1
Loans and revolving credit facilities primarily at floating rates[5]	317.7	317.7	317.7	155.2	155.1	155.1
	2,013.2	2,003.9	1,931.5	1,633.3	1,623.7	1,625.6
Total debt	8,673.5	8,624.9	8,049.8	7,802.3	7,753.0	8,291.9

(a) Principal net of unamortized issue costs and discounts (premiums).

(b) Based principally on quoted market prices with the remainder based on discounted cash flow models using market observable inputs (Levels 1 and 2 respectively in the fair value hierarchy).

(c) These borrowings are non-recourse to the holding company.

(d) Issuer may redeem any time at prices specified in the instrument's offering document, except those disclosed in footnote (e) below.

(e) Not redeemable prior to the contractual maturity date.

During 2022 the company and its subsidiaries completed the following debt transactions:

Holding company

(1) On August 16, 2022 the company completed an offering of $750.0 principal amount of 5.625% unsecured senior notes due August 16, 2032 for net proceeds of $743.4 after discount, commissions and expenses. Commissions and expenses of $5.5 were included in the carrying value of the notes.

(2) On June 29, 2022 the company amended and restated its $2.0 billion unsecured revolving credit facility with a syndicate of lenders on substantially the same terms which extended the expiry from June 29, 2026 to June 29, 2027. At December 31, 2022 and 2021, the revolving credit facility was undrawn and the company was in compliance with its financial covenants.

Non-insurance companies

(3) On December 28, 2022 AGT extended the maturity of its credit facilities to March 17, 2024.

(4) Recipe increased its borrowings during 2022 principally as a result of the privatization transaction described in note 23.

(5) On July 5, 2022 the company consolidated Grivalia Hospitality as described in note 23, including its borrowings of $111.3 at December 31, 2022.

Changes in the carrying values of borrowings for the years ended December 31 were as follows:

	2022				2021			
	Holding company	**Insurance and reinsurance companies**	**Non-insurance companies**	**Total**	**Holding company**	**Insurance and reinsurance companies**	**Non-insurance companies**	**Total**
Balance – January 1	5,338.6	790.7	1,623.7	7,753.0	5,580.6	1,033.4	2,200.0	8,814.0
Cash inflows from issuances	743.4	–	47.0	790.4	1,250.0	–	499.1	1,749.1
Cash outflows from repayments	–	(0.3)	(25.3)	(25.6)	(801.2)	(131.7)	(593.9)	(1,526.8)
Net cash inflows (outflows) from credit facilities and short term loans	–	(35.0)	304.1	269.1	(700.0)	(84.3)	(262.0)	(1,046.3)
Non-cash changes:								
Acquisition of subsidiaries (note 23)	–	–	137.1	137.1	–	–	–	–
Deconsolidation of subsidiary (note 23)	–	–	–	–	–	(22.5)	(187.4)	(209.9)
Loss on redemption	–	–	–	–	45.7	–	(0.1)	45.6
Foreign exchange effect and other	(194.4)	(22.0)	(82.7)	(299.1)	(36.5)	(4.2)	(32.0)	(72.7)
Balance – December 31	5,887.6	733.4	2,003.9	8,624.9	5,338.6	790.7	1,623.7	7,753.0

Principal repayments on borrowings are due as follows:

	2023	**2024**	**2025**	**2026**	**2027**	**Thereafter**	**Total**
Holding company	–	282.5	258.3	423.9	479.7	4,488.2	5,932.6
Insurance and reinsurance companies	0.3	0.3	510.3	0.3	0.3	216.2	727.7
Non-insurance companies	371.8	748.2	33.7	30.9	30.4	798.2	2,013.2
Total	372.1	1,031.0	802.3	455.1	510.4	5,502.6	8,673.5

Interest Expense

Interest expense in 2022 of $452.8 (2021 – $513.9) was comprised of interest on borrowings by the holding company and the insurance and reinsurance companies of $316.1 (2021 – $356.8, inclusive of a loss on redemption of holding company unsecured senior notes of $45.7), interest on borrowings by the non-insurance companies (which are non-recourse to the holding company) of $89.8 (2021 – $99.2) and accretion of lease liabilities of $46.9 (2021 – $57.9).

16. Total Equity

Equity attributable to shareholders of Fairfax

Authorized capital

The authorized share capital of the company consists of an unlimited number of preferred shares issuable in series, an unlimited number of multiple voting shares (cumulatively carrying 41.8% voting power) and an unlimited number of subordinate voting shares carrying one vote per share.

Issued capital

Issued capital at December 31, 2022 was comprised of 1,548,000 multiple voting shares and 24,598,380 subordinate voting shares without par value prior to deducting 2,021,845 subordinate voting shares reserved in treasury for share-based payment awards (December 31, 2021 – 1,548,000, 24,986,170 and 1,869,340 respectively). The multiple voting shares are not traded.

Common stock

The number of shares outstanding was as follows:

	2022	2021
Subordinate voting shares – January 1	23,116,830	25,427,736
Purchases for cancellation	(387,790)	(2,137,923)
Treasury shares acquired	(295,474)	(293,197)
Treasury shares reissued	142,969	120,214
Subordinate voting shares – December 31	22,576,535	23,116,830
Multiple voting shares – beginning and end of year	1,548,000	1,548,000
Interest in multiple and subordinate voting shares held through ownership interest in shareholder – beginning and end of year	(799,230)	(799,230)
Common stock effectively outstanding – December 31	23,325,305	23,865,600

During 2022 the company purchased for cancellation 387,790 subordinate voting shares (2021 – 137,923) under the terms of its normal course issuer bids at a cost of $199.6 (2021 – $58.1), of which $103.5 (2021 – $23.9) was charged to retained earnings.

During 2022 the company purchased for treasury 295,474 subordinate voting shares at a cost of $148.2 (2021 – 293,197 subordinate voting shares at a cost of $132.6) on the open market for use in its share-based payment awards.

On December 29, 2021 the company completed a substantial issuer bid pursuant to which it purchased for cancellation 2,000,000 subordinate voting shares at a price of $500.00 per share, for aggregate cash consideration of $1.0 billion, of which $504.6 was charged to retained earnings representing the excess value paid over the company's paid-up capital of $495.4 that was recorded in common shares, purchases for cancellation, in the consolidated statement of changes in equity.

Dividends paid by the company on its outstanding multiple voting and subordinate voting shares were as follows:

Date of declaration	Date of record	Date of payment	Dividend per share	Total cash payment
January 4, 2023	January 19, 2023	January 26, 2023	$10.00	$245.2
January 5, 2022	January 20, 2022	January 27, 2022	$10.00	$249.9
January 5, 2021	January 21, 2021	January 28, 2021	$10.00	$272.1

Preferred stock

The terms of the company's cumulative five-year rate reset preferred shares at December 31, 2022 were as follows:

	Next possible redemption and conversion date[1][2]	Number of shares outstanding[3]	Carrying value[3]	Stated capital[3]	Liquidation preference per share	Fixed dividend rate per annum	Floating dividend rate per annum[4]
Series C	December 31, 2024	7,515,642	$170.8	Cdn $187.9	Cdn$25.00	4.71%	–
Series D	December 31, 2024	2,484,358	$56.4	Cdn $62.1	Cdn$25.00	–	7.28%
Series E	March 31, 2025	5,440,132	$124.5	Cdn $136.0	Cdn$25.00	3.18%	–
Series F	March 31, 2025	2,099,046	$48.1	Cdn $52.5	Cdn$25.00	–	6.29%
Series G	September 30, 2025	7,719,843	$182.1	Cdn $193.0	Cdn$25.00	2.96%	–
Series H	September 30, 2025	2,280,157	$53.8	Cdn $57.0	Cdn$25.00	–	6.69%
Series I	December 31, 2025	10,420,101	$250.5	Cdn $260.5	Cdn$25.00	3.33%	–
Series J	December 31, 2025	1,579,899	$38.0	Cdn $39.5	Cdn$25.00	–	6.98%
Series K	March 31, 2027	9,500,000	$231.7	Cdn $237.5	Cdn$25.00	4.67%	–
Series M	March 31, 2025	9,200,000	$179.6	Cdn $230.0	Cdn$25.00	5.00%	–
			$1,335.5	Cdn $1,456.0			

(1) Fixed and floating rate cumulative preferred shares are redeemable by the company at each stated redemption date and on each subsequent five-year anniversary date at Cdn$25.00 per share.

(2) Holders of Series C, Series E, Series G, Series I, Series K and Series M fixed rate cumulative preferred shares will have the option to convert their shares into Series D, Series F, Series H, Series J, Series L and Series N floating rate cumulative preferred shares respectively, at the specified conversion dates, and on each subsequent five-year anniversary date. Holders of Series D, Series F, Series H and Series J floating rate cumulative preferred shares will have the option to convert their shares into Series C, Series E, Series G and Series I fixed rate cumulative preferred shares respectively, at the specified conversion dates, and on each subsequent five-year anniversary date.

(3) For each series of preferred shares, the number of shares outstanding, carrying value and stated capital remained unchanged during 2022 and 2021.

(4) The Series D, Series F, Series H, and Series J preferred shares, and the Series L and Series N preferred shares (of which none are currently issued), have a floating dividend rate equal to the three-month Government of Canada treasury bill yield plus 3.15%, 2.16%, 2.56%, 2.85%, 3.51% and 3.98% respectively, with rate resets at the end of each calendar quarter.

During 2022 the company paid preferred share dividends of $45.2 (2021 – $44.5).

Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) attributable to shareholders of Fairfax was comprised as follows:

	December 31, 2022			December 31, 2021		
	Pre-tax amount	Income tax (expense) recovery	After-tax amount	Pre-tax amount	Income tax recovery	After-tax amount
Items that may be subsequently reclassified to net earnings						
Foreign currency translation losses	(904.7)	34.4	(870.3)	(636.2)	24.6	(611.6)
Share of accumulated other comprehensive loss of associates, excluding net gains (losses) on defined benefit plans	(221.6)	17.6	(204.0)	(79.8)	0.4	(79.4)
	(1,126.3)	52.0	(1,074.3)	(716.0)	25.0	(691.0)
Items that will not be subsequently reclassified to net earnings						
Net gains (losses) on defined benefit plans	43.8	(4.3)	39.5	(104.9)	27.5	(77.4)
Share of net gains (losses) on defined benefit plans of associates	10.7	(4.7)	6.0	(57.3)	5.5	(51.8)
Other	43.5	5.7	49.2	8.4	10.1	18.5
	98.0	(3.3)	94.7	(153.8)	43.1	(110.7)
Accumulated other comprehensive income (loss) attributable to shareholders of Fairfax	(1,028.3)	48.7	(979.6)	(869.8)	68.1	(801.7)

Income tax (expense) recovery included in other comprehensive income (loss)

Other comprehensive income (loss) in the consolidated statement of comprehensive income is presented net of the following income tax (expense) recovery amounts:

	2022	2021
Income tax on items that may be subsequently reclassified to net earnings		
Net unrealized foreign currency translation losses on foreign subsidiaries	10.0	5.2
Share of other comprehensive loss of associates, excluding net gains on defined benefit plans	18.1	12.7
	28.1	17.9
Income tax on items that will not be subsequently reclassified to net earnings		
Net gains on defined benefit plans	(32.2)	(27.4)
Share of net gains on defined benefit plans of associates	(10.2)	(12.8)
	(42.4)	(40.2)
Total income tax expense included in other comprehensive income (loss)	(14.3)	(22.3)

Non-controlling interests

Details of non-controlling interests as at and for the years ended December 31 were as follows:

		December 31, 2022		December 31, 2021		Net earnings (loss) attributable to non-controlling interests	
	Domicile	Voting percentage[7]	Carrying value	Voting percentage[7]	Carrying value	2022	2021
Insurance and reinsurance companies[1]							
Allied World[2]	Bermuda	17.1%	761.1	29.1%	1,419.6	(5.6)	117.8
Brit[3]	United Kingdom	13.8%	658.8	13.8%	559.3	(23.2)	14.0
Odyssey Group[4]	United States	9.99%	499.2	9.99%	550.0	19.6	–
All other[5]	–	–	50.1	–	402.5	12.0	89.4
			1,969.2		2,931.4	2.8	221.2
Non-insurance companies							
Restaurants and retail[6][7]	–	–	208.1	–	494.3	32.7	11.8
Fairfax India[7][8]	Canada	5.6%	1,080.2	6.1%	1,133.1	114.2	72.7
Thomas Cook India	India	26.7%	61.3	33.2%	56.3	1.1	(16.8)
Other	–	–	340.8	–	315.1	(11.2)	(23.4)
			1,690.4		1,998.8	136.8	44.3
			3,659.6		4,930.2	139.6	265.5

(1) Includes property and casualty insurance and reinsurance companies, Life insurance and Run-off, and Corporate and other.

(2) On September 27, 2022 the company increased its ownership interest in Allied World to 82.9% from 70.9% for total consideration of $733.5, inclusive of the fair value of a call option exercised and an accrued dividend paid, and recorded a loss in retained earnings of $228.1 in net changes in capitalization in the consolidated statement of changes in equity. The decrease in carrying value of Allied World's non-controlling interests primarily reflected the company's increased ownership interest in Allied World, dividends paid and the non-controlling interests' share of Allied World's net loss. On April 28, 2022 Allied World paid a dividend of $126.4 (April 28, 2021 – $126.4) to its minority shareholders. The company has the option to purchase the remaining interests of the minority shareholders in Allied World at certain dates until September 2024.

(3) The increase in carrying value of Brit's non-controlling interests during 2022 primarily related to a third party investment of $152.0 in Brit's subsidiary Ki Insurance, partially offset by dividends paid to minority shareholders and non-controlling interests' share of Brit's net loss. The company has the option to purchase the interests of the minority shareholders in Brit at certain dates commencing in October 2023.

(4) The decrease in carrying value of Odyssey Group's non-controlling interests during 2022 primarily related to dividends paid to minority shareholders, partially offset by non-controlling interests' share of Odyssey Group's net earnings. The company has the option to purchase the interests of the minority shareholders in Odyssey Group at certain dates commencing in January 2025.

(5) The decrease in carrying value of All Other non-controlling interests primarily reflected the company's purchase of certain securities held through the company's investment in AVLNs entered with RiverStone Barbados as described in note 7. The remaining carrying value at December 31, 2022 principally related to Fairfax Asia.

(6) The decrease in carrying value of Restaurants and retail's non-controlling interests in 2022 principally related to the privatization of Recipe as described in note 23.

(7) At December 31, 2022 Fairfax India's non-controlling interest economic ownership percentage was 65.3% (December 31, 2021 – 69.9%) which differed from its non-controlling interest voting percentage of 5.6% (December 31, 2021 – 6.1%). On February 15, 2022 the company had acquired an additional 5,416,000 subordinate voting shares of Fairfax India from non-controlling interests, which was recorded in net changes in capitalization in the consolidated statement of changes in equity. At December 31, 2021 Recipe's non-controlling interest economic ownership percentage was 61.5% which differed from its non-controlling interest voting percentage of 39.0%.

(8) The decrease in carrying value of Fairfax India's non-controlling interests during 2022 primarily reflected the non-controlling interests' share of Fairfax India's net unrealized foreign currency translation losses (weakening of the Indian rupee relative to the U.S. dollar), share repurchases by Fairfax India, and the acquisition by the company of additional subordinate voting shares of Fairfax India from non-controlling interests as described above in footnote (7), partially offset by non-controlling interests' share of Fairfax India's net earnings.

Net changes in capitalization

The impact on retained earnings and non-controlling interests of certain capital transactions and changes in ownership interests of the company's consolidated subsidiaries for the years ended December 31, 2022 and 2021 are included in net changes in capitalization in the consolidated statement of changes in equity as shown in the table below. See note 23 and under the heading "Non-controlling interests" earlier in this note for details of those transactions.

	2022		2021	
	Common shareholders' equity	**Non-controlling interests**	**Common shareholders' equity**	**Non-controlling interests**
Privatization of Recipe	(66.1)	(276.2)	–	–
Acquisition of non-controlling interests in Allied World	(228.1)	(466.9)	–	–
Purchase of certain securities held through AVLNs entered with RiverStone Barbados (note 7)	14.1	(356.2)	0.3	(113.6)
Third party's investment in Brit's subsidiary Ki Insurance	–	152.0	–	124.0
Fairfax India share repurchases	(9.9)	(90.7)	(12.5)	(114.3)
Sale of non-controlling interests in Odyssey Group	–	–	429.1	550.0
Sale of non-controlling interests in Brit	–	–	115.4	296.7
Initial public offerings and related capital transactions at Farmers Edge and Boat Rocker	–	–	(3.1)	242.6
Fairfax India's sale of an equity interest in Anchorage (note 6)	–	–	21.8	107.4
Other	116.4	(32.9)	1.9	134.1
As presented in net changes in capitalization in the consolidated statement of changes in equity	(173.6)	(1,070.9)	552.9	1,226.9

17. Earnings per Share

Net earnings per share is calculated using the weighted average common shares outstanding as follows:

	2022	2021
Net earnings attributable to shareholders of Fairfax	1,147.2	3,401.1
Preferred share dividends	(45.2)	(44.5)
Net earnings attributable to common shareholders – basic and diluted	1,102.0	3,356.6
Weighted average common shares outstanding – basic	23,637,824	25,953,114
Share-based payment awards	1,702,599	1,503,931
Weighted average common shares outstanding – diluted	25,340,423	27,457,045
Net earnings per common share – basic	$ 46.62	$ 129.33
Net earnings per common share – diluted	$ 43.49	$ 122.25

18. Income Taxes

The company's provision for income taxes for the years ended December 31 were comprised as follows:

	2022	2021
Current income tax:		
Current year expense	616.8	401.6
Adjustments to prior years' income taxes	(10.0)	(14.6)
	606.8	387.0
Deferred income tax:		
Origination and reversal of temporary differences	(197.1)	313.5
Adjustments to prior years' deferred income taxes	11.7	18.9
Other	3.8	6.6
	(181.6)	339.0
Provision for income taxes	425.2	726.0

A significant portion of the company's earnings (loss) before income taxes may be earned or incurred outside of Canada. The statutory income tax rates for jurisdictions outside of Canada generally differ from the Canadian statutory income tax rate, and may be significantly higher or lower. The company's earnings (loss) before income taxes by jurisdiction and the associated provision for (recovery of) income taxes for the years ended December 31 are summarized in the following table:

	2022					2021				
	Canada[(1)]	U.S.[(2)]	U.K.[(3)]	Other[(4)]	Total	Canada[(1)]	U.S.[(2)]	U.K.[(3)]	Other[(4)]	Total
Earnings (loss) before income taxes	399.2	1,330.7	(112.2)	94.3	1,712.0	858.8	974.5	157.3	2,402.0	4,392.6
Provision for (recovery of) income taxes	114.7	238.3	(12.9)	85.1	425.2	191.6	238.6	18.7	277.1	726.0
Net earnings (loss)	284.5	1,092.4	(99.3)	9.2	1,286.8	667.2	735.9	138.6	2,124.9	3,666.6

(1) Includes Fairfax India.

(2) Principally comprised of Crum & Forster, Zenith National, Odyssey Group (notwithstanding that certain operations of Odyssey Group conduct business outside of the U.S.), U.S. Run-off and other associated holding company results.

(3) Comprised of Brit.

(4) Primarily includes companies in India, Asia and Europe (excluding the U.K.), and Allied World, which has operations in multiple jurisdictions.

Decreased pre-tax profitability across all jurisdictions, except the U.S., in 2022 compared to 2021 primarily related to net unrealized investment losses in 2022, principally on the fixed income portfolio, partially offset by improved underwriting performance, interest and dividends and share of profit of associates. In 2022, pre-tax profitability in the U.S. included a gain on sale and consolidation of insurance subsidiaries of $1,213.2 recorded on the company's sale of its interests in the Crum & Forster Pet Insurance Group and Pethealth as described in note 23. In 2021,

pre-tax profitability in Other included a net unrealized gain of $1,490.3 recorded in Asia on the company's investment in Digit compulsory convertible preferred shares as described in note 5.

Reconciliations of the provision for income taxes calculated at the Canadian statutory income tax rate to the provision for income taxes at the effective tax rate in the consolidated financial statements for the years ended December 31 are summarized in the following table:

	2022	**2021**
Canadian statutory income tax rate	26.5%	26.5%
Provision for income taxes at the Canadian statutory income tax rate	453.7	1,164.0
Non-taxable investment income	(25.6)	(149.4)
Tax rate differential on income and losses outside Canada	(50.9)	(399.1)
Change in unrecorded tax benefit of losses and temporary differences	0.8	67.2
Change in tax rate for deferred income taxes	6.6	0.3
Provision relating to prior years	1.7	4.3
Foreign exchange effect	(17.1)	(23.0)
Other including permanent differences	56.0	61.7
Provision for income taxes	425.2	726.0

Non-taxable investment income of $25.6 in 2022 and $149.4 in 2021 were principally comprised of dividend income, non-taxable interest income and long term capital gains, and the 50% of net capital gains and losses which are not taxable or deductible in Canada. Non-taxable investment income in 2021 also included gains on the consolidation of Eurolife and the deconsolidation of Privi.

The tax rate differential on income and losses outside Canada of $50.9 in 2022 principally related to income taxed at lower rates in the U.S., Mauritius and Barbados, partially offset by losses tax effected at lower rates in Bermuda and Asia. The tax rate differential on income and losses outside Canada of $399.1 in 2021 principally related to income taxed at lower rates in Asia (principally related to the unrealized gain recorded on the company's investment in Digit compulsory convertible preferred shares), the U.S. and at Allied World.

Income taxes refundable and payable were as follows:

	December 31, 2022	**December 31, 2021**
Income taxes refundable	67.1	58.3
Income taxes payable	(361.0)	(175.0)
Net income taxes payable	(293.9)	(116.7)

Changes in net income taxes (payable) refundable during the years ended December 31 were as follows:

	2022	**2021**
Balance – January 1	(116.7)	24.2
Amounts recorded in the consolidated statements of earnings	(606.8)	(387.0)
Payments made during the year	416.4	288.7
Acquisitions of subsidiaries (note 23)	–	(54.5)
Foreign exchange effect and other	13.2	11.9
Balance – December 31	(293.9)	(116.7)

Changes in the net deferred income tax asset (liability) during the years ended December 31 were as follows:

	2022								
	Operating and capital losses	**Provision for losses and loss adjustment expenses**	**Provision for unearned premiums**	**Deferred premium acquisition costs**	**Intangible assets**	**Investments**	**Tax credits**	**Other**	**Total**
Balance – January 1	230.0	204.2	187.7	(147.8)	(413.1)	(414.5)	213.6	63.5	(76.4)
Amounts recorded in the consolidated statement of earnings	(7.1)	53.4	27.0	(22.7)	30.9	219.4	(137.1)	17.8	181.6
Amounts recorded in total equity	8.0	–	–	–	–	20.1	–	(42.4)	(14.3)
Acquisitions of subsidiaries (note 23)	3.3	–	–	–	(1.9)	(11.4)	–	(52.6)	(62.6)
Deconsolidation of non-insurance subsidiaries (note 23)	(0.6)	–	–	–	7.0	–	–	–	6.4
Foreign exchange effect and other	(6.8)	(2.9)	0.2	(0.8)	1.0	15.5	(1.1)	(44.4)	(39.3)
Balance – December 31	226.8	254.7	214.9	(171.3)	(376.1)	(170.9)	75.4	(58.1)	(4.6)

	2021								
	Operating and capital losses	**Provision for losses and loss adjustment expenses**	**Provision for unearned premiums**	**Deferred premium acquisition costs**	**Intangible assets**	**Investments**	**Tax credits**	**Other**	**Total**
Balance – January 1	236.3	168.8	141.7	(116.1)	(389.5)	23.9	174.8	117.6	357.5
Amounts recorded in the consolidated statement of earnings	(3.5)	35.6	46.0	(39.4)	(19.5)	(339.2)	32.3	(51.3)	(339.0)
Amounts recorded in total equity	17.5	–	–	–	–	0.8	–	(37.5)	(19.2)
Acquisitions of subsidiaries (note 23)	(4.2)	–	–	7.9	(10.3)	(98.9)	–	31.4	(74.1)
Deconsolidation of non-insurance subsidiaries (note 23)	(7.5)	–	–	–	7.8	–	–	2.3	2.6
Foreign exchange effect and other	(8.6)	(0.2)	–	(0.2)	(1.6)	(1.1)	6.5	1.0	(4.2)
Balance – December 31	230.0	204.2	187.7	(147.8)	(413.1)	(414.5)	213.6	63.5	(76.4)

Management expects that recognized deferred income tax assets will be realized in the normal course of operations. The most significant temporary differences included in the net deferred income tax liability at December 31, 2022 related to intangible assets, deferred premium acquisition costs and investments (primarily related to net unrealized investment gains in Asia), partially offset by deferred income tax assets related to operating and capital losses, provision for losses and loss adjustment expenses, provision for unearned premiums and tax credits. In these consolidated financial statements, investment gains and losses are primarily recognized on a mark-to-market basis but are typically only recognized for income tax purposes when realized (particularly in the U.S. and several other jurisdictions). The provision for losses and loss adjustment expenses is recorded on an undiscounted basis in these consolidated financial statements but is recorded on a discounted basis in certain jurisdictions for income tax, resulting in temporary differences. Deferred income tax liabilities on intangible assets primarily relate to intangible assets recognized on acquisitions (principally Brit, Allied World and Recipe) that are typically not deductible in the determination of income taxes payable. The deferred income tax asset related to operating and capital losses arises primarily at Brit, Northbridge, and AGT. Tax credits are primarily in the U.S. and relate to foreign taxes paid that will reduce U.S. taxes payable in the future. Other deferred income tax liabilities include temporary differences related to pensions and premises and equipment.

Management conducts ongoing reviews of the recoverability of the deferred income tax asset and adjusts, as necessary, to reflect its anticipated realization. At December 31, 2022 deferred income tax assets of $827.7 (December 31, 2021 – $875.9), which relate principally to operating and capital losses, have not been recorded. The losses for which deferred income tax assets have not been recorded are comprised of losses in Canada of $1,728.0 (December 31, 2021 – $2,089.3), losses in Europe of $552.1 (December 31, 2021 – $488.8), losses in the U.S. of $207.6 (December 31, 2021 – $109.4), and losses at Allied World of $295.6 across various jurisdictions (December 31, 2021 – $251.4). The losses in Canada expire between 2029 and 2042. The losses and foreign tax credits in the U.S. primarily expire between 2024 and 2042. Substantially all of the losses in Europe do not have an expiry date. Allied World's losses are primarily in the U.K. and Asia, with no expiry date, and in Switzerland which expire within seven years.

Deferred income tax has not been recognized for the withholding tax and other taxes that could be payable on the unremitted earnings of certain subsidiaries, which at December 31, 2022 amounted to approximately $9.9 billion (December 31, 2021 – approximately $7.6 billion) and are not likely to be repatriated in the foreseeable future.

19. Statutory Requirements

The retained earnings of the company are largely represented by retained earnings at the company's insurance and reinsurance subsidiaries. Those subsidiaries are subject to certain requirements and restrictions under their respective insurance company Acts including minimum capital requirements and dividend restrictions. The company's capital requirements and management thereof are discussed in note 24. The company's share of dividends paid in 2022 by the insurance and reinsurance subsidiaries, which are eliminated on consolidation, was $380.9 (2021 – $429.5). Crum & Forster also paid a special dividend of $940.0 to the company in 2022 as a result of the sale of its Pet Insurance Group and Pethealth as described in note 23.

Based on the surplus and net earnings (loss) of the primary insurance and reinsurance subsidiaries as at and for the year ended December 31, 2022, the maximum dividend capacity available in 2023 at each of those subsidiaries, payable to all shareholders (including non-controlling interests) is as follows:

	December 31, 2022
Allied World	1,167.5
Odyssey Group	767.2
Northbridge[1]	422.2
Crum & Forster	204.6
Zenith National	91.4
	2,652.9

(1) Subject to prior regulatory approval.

When determining the amount of dividends to be paid from its insurance and reinsurance subsidiaries, the company considers regulatory capital requirements, and also rating agency capital tests, future capital levels required to support growth and tax planning matters, among other factors. In addition, the non-controlling interests in Allied World, Odyssey Group and Brit have a dividend in priority to the company.

20. Contingencies and Commitments

The company and its subsidiaries, in the ordinary course of their business, are or may be anticipated to be defendants, or named as third parties, in damage suits. The uninsured exposure to the company is not considered to be material to the company's financial position, financial performance or cash flows.

Odyssey Group, Brit and Allied World ("the Lloyd's participants") underwrite in the Lloyd's of London insurance market through their participation in certain Lloyd's syndicates. The Lloyd's participants have pledged cash and cash equivalents of $233.6 and securities with a fair value of $1,670.7 at December 31, 2022 as capital to support those underwriting activities. Pledged securities primarily consist of short term investments, bonds and equity investments presented within portfolio investments on the consolidated balance sheet. The Lloyd's participants have the ability to substitute other securities for these pledged securities, subject to certain admissibility criteria. The Lloyd's participants' liability in respect of assets pledged as capital is limited to the aggregate amount of the pledged assets and their obligation to support these liabilities will continue until such liabilities are settled or are reinsured by a third party approved by Lloyd's. The company believes that the syndicates for which the Lloyd's participants are capital providers maintain sufficient liquidity and financial resources to support their ultimate liabilities and does not anticipate that the pledged assets will be utilized.

The company's maximum capital commitments for potential investments in common stocks, limited partnerships, associates and joint ventures at December 31, 2022 was $1,422.8. Additionally, pursuant to the sale of RiverStone Barbados as described in note 23, the company has guaranteed the remaining value of $486.8 at December 31, 2022 of certain securities that remain held by CVC and certain affiliates thereof until such time that the securities are purchased by or sold at the direction of Hamblin Watsa, prior to the end of 2023.

21. Pensions and Post Retirement Benefits

The funded status of the company's defined benefit pension and post retirement plans at December 31 were as follows:

	Defined benefit pension plans		Defined benefit post retirement plans	
	2022	**2021**	**2022**	**2021**
Benefit obligation	(715.5)	(1,070.9)	(66.8)	(83.9)
Fair value of plan assets	784.7	1,014.7	–	–
Funded status of plans – surplus (deficit)	69.2	(56.2)	(66.8)	(83.9)
Impact of asset ceiling	(3.6)	–	–	–
Net accrued asset (liability)[(1)]	65.6	(56.2)	(66.8)	(83.9)
Weighted average assumptions used to determine benefit obligations:				
Discount rate	4.9%	2.6%	5.2%	3.1%
Rate of compensation increase	2.5%	2.2%	3.8%	3.7%
Health care cost trend	–	–	3.4%	3.6%

(1) The defined benefit pension plan net accrued asset at December 31, 2022 of $65.6 (December 31, 2021 – net accrued liability of $56.2) was comprised of pension surpluses of $144.5, partially offset by pension deficits of $78.9 (December 31, 2021 – pension deficits of $170.0, partially offset by pension surpluses of $113.8). See notes 13 and 14.

Pension and post retirement benefit expenses recognized in the consolidated statement of earnings for the years ended December 31 were as follows:

	2022	**2021**
Defined benefit pension plan expense	20.3	25.8
Defined contribution pension plan expense	62.2	57.8
Defined benefit post retirement plan expense	5.0	2.0
	87.5	85.6

Pre-tax actuarial net gains (losses) recognized in the consolidated statement of comprehensive income for the years ended December 31 were comprised as follows:

	2022	**2021**
Defined benefit pension plans		
Actuarial net gains (losses) on plan assets and change in asset ceiling	(157.3)	78.6
Actuarial net gains on benefit obligations	295.0	33.8
	137.7	112.4
Defined benefit post retirement plans – actuarial net gains on benefit obligations	16.2	3.2
	153.9	115.6

22. Leases

Changes in the company's right-of-use assets for the year ended December 31 were as follows:

	2022			2021		
	Insurance and reinsurance companies[1]	Non-insurance companies	Total	Insurance and reinsurance companies[1]	Non-insurance companies	Total
Balance – January 1	328.8	431.0	759.8	396.1	611.9	1,008.0
Additions	63.7	98.2	161.9	44.0	92.0	136.0
Disposals	(7.5)	(8.4)	(15.9)	(41.2)	(19.8)	(61.0)
Depreciation[2]	(67.2)	(89.9)	(157.1)	(68.3)	(113.0)	(181.3)
Acquisitions of subsidiaries (note 23)	–	56.7	56.7	0.9	14.1	15.0
Deconsolidation of subsidiaries (note 23)	(1.1)	(2.9)	(4.0)	(1.4)	(146.7)	(148.1)
Foreign exchange effect and other	(9.5)	(23.4)	(32.9)	(1.3)	(7.5)	(8.8)
Balance – December 31 (note 13)	307.2	461.3	768.5	328.8	431.0	759.8

(1) Includes Life insurance and Run-off and Corporate and Other.

(2) Recorded in operating expenses and other expenses in the consolidated statement of earnings.

The maturity profile of the company's lease liabilities was as follows:

	December 31, 2022			December 31, 2021		
	Insurance and reinsurance companies[1]	Non-insurance companies	Total	Insurance and reinsurance companies[1]	Non-insurance companies	Total
One year or less	72.7	155.8	228.5	77.4	173.6	251.0
One to two years	66.5	142.4	208.9	67.6	148.1	215.7
Two to three years	60.3	127.7	188.0	58.6	129.8	188.4
Three to four years	55.9	108.0	163.9	52.0	115.4	167.4
Four to five years	45.5	86.5	132.0	45.1	96.3	141.4
More than five years	117.7	330.2	447.9	142.8	249.6	392.4
Lease liabilities, undiscounted	418.6	950.6	1,369.2	443.5	912.8	1,356.3
Lease liabilities, discounted (note 14)	364.1	729.9	1,094.0	384.2	756.5	1,140.7
Weighted average incremental borrowing rate	3.8%	4.7%	4.4%	3.8%	4.5%	4.3%

(1) Includes Life insurance and Run-off and Corporate and Other.

During 2022 the company recognized in the consolidated statement of earnings interest expense on lease liabilities of $46.9 (2021 – $57.9) (note 15), and short-term, low value and other lease costs of $51.0 (2021 – $19.1) that included the benefit of COVID-19 lease concessions and government rent subsidies of $1.7 (2021 – $28.9) primarily recorded in the Non-insurance companies reporting segment (note 26).

The maturity profile of the company's finance lease receivables was as follows:

	December 31, 2022			December 31, 2021		
	Insurance and reinsurance companies[1]	Non-insurance companies	Total	Insurance and reinsurance companies[1]	Non-insurance companies	Total
One year or less	2.8	55.4	58.2	2.5	62.0	64.5
One to two years	1.8	48.5	50.3	2.3	53.0	55.3
Two to three years	1.4	42.7	44.1	1.3	44.7	46.0
Three to four years	1.1	36.7	37.8	1.0	39.3	40.3
Four to five years	0.7	27.8	28.5	1.0	33.3	34.3
More than five years	2.0	43.9	45.9	2.8	64.5	67.3
Finance lease receivables, undiscounted	9.8	255.0	264.8	10.9	296.8	307.7
Unearned finance income	1.0	37.0	38.0	1.5	40.1	41.6
Finance lease receivables (note 13)	8.8	218.0	226.8	9.4	256.7	266.1

(1) Includes Life insurance and Run-off and Corporate and Other.

23. Acquisitions and Divestitures

Subsequent to December 31, 2022

Sale of Ambridge Group by Brit

On January 7, 2023 Brit entered into an agreement to sell Ambridge Group, its Managing General Underwriter operations, to Amynta Group. The company will receive approximately $400 on closing, comprised principally of cash of $275.0 and a promissory note of approximately $125. An additional $100.0 may be receivable based on 2023 performance targets of Ambridge. Closing of the transaction is subject to customary closing conditions, including regulatory approvals, and is expected to occur in the next few months. On closing of the transaction, the company expects to deconsolidate assets and liabilities with carrying values at December 31, 2022 of approximately $284 and $160, and to record a pre-tax gain of approximately $275 (prior to ascribing any fair value to the additional receivable).

Year ended December 31, 2022

Sale of Pet Insurance Operations and Investment in JAB Consumer Fund

On October 31, 2022 the company sold its interests in the Crum & Forster Pet Insurance Group and Pethealth, including all of their worldwide operations, to Independence Pet Group and certain of its affiliates, which are majority owned by JAB Holding Company ("JAB"), for $1.4 billion, paid as $1.15 billion in cash and $250.0 in debentures. The company also committed to invest $200.0 in JCP V, a JAB consumer fund. As a result of the sale, the company recorded a pre-tax gain of $1,213.2, inclusive of foreign currency translation losses that were reclassified from accumulated other comprehensive income (loss) to the consolidated statement of earnings, and selling expenses, in gain on sale and consolidation of insurance subsidiaries in the consolidated statement of earnings (an after-tax gain of $933.9), and deconsolidated assets and liabilities with carrying values of $149.1 and $32.0.

Additional investment in Recipe Unlimited Corporation

On October 28, 2022 the company acquired all of the multiple voting shares ("MVS") and subordinate voting shares in the capital of Recipe, other than those shares owned by the company and 9,398,729 MVS owned by Cara Holdings Limited, at a cash purchase price of Cdn$20.73 per share or $342.3 (Cdn$465.9) in aggregate, comprised of cash consideration of $242.5 (Cdn$330.0) and an increase in borrowings by Recipe of $99.8 (Cdn$135.9). The company recorded a loss in retained earnings of $66.1 and a decrease in non-controlling interests of $276.2, both of which are presented in net changes in capitalization in the consolidated statement of changes in equity. The transaction increased the company's equity ownership in Recipe from 38.5% at December 31, 2021 to 75.7%, or 84.0% inclusive of Recipe shares held through the company's investment in AVLNs entered with RiverStone Barbados. Recipe was subsequently delisted from the Toronto Stock Exchange. On December 28, 2022 the company

received $73.6 (Cdn$100.0) cash consideration from Recipe upon redemption of certain equity held by the company in connection with the closing of the transaction.

Consolidation of Grivalia Hospitality S.A.

On July 5, 2022 the company increased its interest in Grivalia Hospitality S.A. (“Grivalia Hospitality”) to 78.4% from 33.5% by acquiring additional shares for cash consideration of $194.6 (€190.0) and commenced consolidating the assets, liabilities and results of operations of Grivalia Hospitality in the Non-insurance companies reporting segment. Grivalia Hospitality acquires, develops and manages hospitality real estate in Greece, Cyprus and Panama.

Year ended December 31, 2021

Sale of non-controlling interest in Odyssey Group

On December 15, 2021 Odyssey Group issued shares representing an aggregate 9.99% equity interest to a subsidiary of Canada Pension Plan Investment Board (“CPPIB”) and OMERS, the pension plan for Ontario’s municipal employees, for cash consideration of $900.0 which was subsequently paid by Odyssey Group as a dividend to Fairfax. The company recorded an aggregate equity gain of $429.1, principally comprised of a dilution gain and the fair value of a call option received, which was presented as net changes in capitalization in the consolidated statement of changes in equity. The company has the option to purchase the interests of CPPIB and OMERS in Odyssey Group at certain dates commencing in January 2025.

Sale of non-controlling interest in Brit

On August 27, 2021 Brit issued shares representing a 13.9% equity interest to OMERS for cash consideration of $375.0 which was subsequently paid by Brit as a dividend to Fairfax. The company recorded an aggregate equity gain of $115.4, principally comprised of a dilution gain and the fair value of a call option received, which was presented as net changes in capitalization in the consolidated statement of changes in equity. The company has the option to purchase OMERS’ interest in Brit at certain dates commencing in October 2023.

Sale of RiverStone Barbados

On August 23, 2021 the company sold its 60.0% joint venture interest in RiverStone (Barbados) Ltd. (“RiverStone Barbados”) to CVC Capital Partners (“CVC”). OMERS also sold its 40.0% joint venture interest in RiverStone Barbados to CVC as part of the transaction. The company received consideration of $695.7, principally comprised of cash of $462.0, non-voting shares of CVC’s RiverStone Barbados holding company with a fair value of $200.0 (which will convert into a secured vendor loan note with a principal amount of $200.0 upon completion of certain regulatory undertakings by CVC) and a pension asset on assumption of RiverStone Barbados’ closed pension plan, and recorded a net loss of $2.1 in net gains (losses) on investments in the consolidated statement of earnings, inclusive of foreign currency translation gains that were reclassified from accumulated other comprehensive income (loss) to the consolidated statement of earnings. The company also received a contingent value instrument for potential future proceeds of up to $235.7 with a nominal fair value.

Prior to completion of the transaction, certain subsidiaries of RiverStone Barbados held investments in various Fairfax subsidiaries and certain other companies. Accordingly, CVC and certain affiliates thereof became the indirect owner of those securities upon completion of the transaction. As part of the transaction, on February 8, 2021 the company had entered into Asset Value Loan Notes (“AVLNs”) to guarantee the then approximately $1.3 billion value of the securities to CVC and certain affiliates thereof until such time the securities are purchased by or sold at the direction of Hamblin Watsa, prior to the end of 2022. The company, through Hamblin Watsa, continues to manage and have direction over these securities, including their voting rights. The company recorded the AVLNs as derivative instruments whose fair value is the difference between the guaranteed value of the underlying securities and their fair value, which resulted in a derivative asset of $103.8 on the consolidated balance sheet at December 31, 2021, and a net gain on investments of $103.8 for the year then ended in the consolidated statement of earnings. During 2021 securities with a guaranteed value of $120.8 were sold or purchased by Hamblin Watsa, leaving securities with a guaranteed value of approximately $1.1 billion remaining under the AVLNs at December 31, 2021. Subsequently, as described in note 7, on July 5, 2022 an amendment to the AVLNs was completed, extending $543.4 of the underlying securities to be purchased or sold prior to the end of 2023. The remainder of the securities were purchased or sold during 2022; in addition, part of the amended AVLNs were purchased in the second half of 2022.

Sale of Toys "R" Us Canada

On August 19, 2021 the company sold the operations of Toys "R" Us Canada for consideration of $90.3 (Cdn$115.7), deconsolidated Toys "R" Us Canada from the Non-insurance companies reporting segment and recorded a net gain of $85.7 in net gains (losses) on investments in the consolidated statement of earnings. The consideration received was comprised principally of a monthly royalty on future revenue of Toys "R" Us Canada.

Privatization of Mosaic Capital

On August 5, 2021 Mosaic Capital completed a privatization arrangement with a third party purchaser pursuant to which the company exchanged its holdings of Mosaic Capital debentures and warrants, and cash of $10.7 (Cdn$13.3), for $130.8 (Cdn$163.3) of newly issued Mosaic Capital 25-year debentures, and invested $4.0 (Cdn$5.0) in the privatized company for a 20.0% equity interest. The company deconsolidated Mosaic Capital from the Non-insurance companies reporting segment, recorded the Mosaic Capital 25-year debentures at FVTPL and commenced applying the equity method of accounting to its interest in the purchaser.

Acquisition of Eurolife FFH Insurance Group Holdings S.A.

On July 14, 2021 the company increased its interest in Eurolife FFH Insurance Group Holdings S.A. ("Eurolife") to 80.0% from 50.0% by exercising a call option valued at $127.3 to acquire the joint venture interest of OMERS for cash consideration of $142.7 (€120.7). The assets, liabilities and results of operations of Eurolife's life insurance business were consolidated in the Life insurance and Run-off segment and those of Eurolife's property and casualty insurance business were consolidated in the International Insurers and Reinsurers reporting segment, pursuant to which the company remeasured its 50.0% joint venture interest in Eurolife to its fair value of $450.0 and recorded a net gain of $130.5 in gain on sale and consolidation of insurance subsidiaries in the consolidated statement of earnings, inclusive of foreign currency translation gains that were reclassified from accumulated other comprehensive income (loss) to the consolidated statement of earnings. The remaining 20.0% equity interest in Eurolife continues to be owned by the company's associate Eurobank. Eurolife is a Greek insurer which distributes its life and property and casualty insurance products and services through Eurobank's network and other distribution channels.

	Eurolife
Acquisition date	July 14, 2021
Percentage of common shares acquired	80.0%[(1)]
Assets:	
Insurance contract receivables	11.6
Portfolio investments	3,653.9[(2)]
Recoverable from reinsurers	18.6
Deferred income tax assets	32.6
Intangible assets	45.5[(3)]
Other assets	616.3[(4)]
	4,378.5
Liabilities:	
Accounts payable and accrued liabilities	273.2[(5)]
Insurance contract payables	529.0
Insurance contract liabilities	2,751.4
Deferred income tax liabilities	100.9
	3,654.5
Purchase consideration	720.0[(6)]
Excess of fair value of net assets acquired over purchase consideration	4.0
	4,378.5

(1) The transaction was recorded as the acquisition of a 100% equity interest in Eurolife with the non-controlling interests represented by a redemption liability (described in footnote 5 below) that was included in the fair value of assets acquired and liabilities assumed.

(2) Includes subsidiary cash and cash equivalents of $1,433.3.

(3) Principally an intangible asset of $29.0 related to a distribution agreement with Eurobank.

(4) Principally investment assets of $532.1 related to unit-linked life insurance contracts.

(5) Includes a redemption liability of $124.9 on non-controlling interests as the company's associate Eurobank may put its 20.0% equity interest in Eurolife to the company commencing in 2024 at the then fair value of that interest.

(6) Comprised of cash consideration of $142.7, a call option exercised with a fair value of $127.3 and the company's 50.0% joint venture interest with a fair value of $450.0.

Additional investment in Singapore Reinsurance Corporation Limited

On June 17, 2021 the company increased its ownership interest in Singapore Reinsurance Corporation Limited ("Singapore Re") from 28.2% to 94.0% for $102.9 (SGD 138.0) and subsequently increased its ownership interest to 100%. Singapore Re is a general property and casualty reinsurer that underwrites business primarily in southeast Asia.

Fairfax India's sale of Privi Speciality Chemicals Limited

On April 29, 2021 Fairfax India sold its 48.8% equity interest in Privi Speciality Chemicals Limited ("Privi") to certain affiliates of Privi's founders for $164.8 (12.2 billion Indian rupees), deconsolidated the assets and liabilities of Privi and recorded a net realized gain on investment of $94.9 in the consolidated statement of earnings.

24. Financial Risk Management

Overview

The primary goals of the company's financial risk management are to ensure that the outcomes of activities involving elements of risk are consistent with the company's objectives and risk tolerance, while maintaining an appropriate balance between risk and reward and protecting the company's consolidated balance sheet from events that have the potential to materially impair its financial strength. The company's exposure to potential loss from its insurance and reinsurance operations and investment activities primarily relates to underwriting risk, credit risk, liquidity risk and various market risks. Balancing risk and reward is achieved through identifying risk appropriately, aligning risk tolerances with business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventive controls and transferring risk to third parties. There were no significant changes in the types of the company's risk exposures or the processes used by the company for managing those risk exposures at December 31, 2022 compared to those identified at December 31, 2021, except as discussed below.

Financial risk management objectives are achieved through a two tiered system, with detailed risk management processes and procedures at the company's primary operating subsidiaries and its investment management subsidiary combined with the analysis of the company-wide aggregation and accumulation of risks at the holding company. In addition, although the company and its operating subsidiaries each have an officer with designated responsibility for risk management, the company regards each Chief Executive Officer as the chief risk officer of their company; each Chief Executive Officer is the individual ultimately responsible for risk management for his or her company and its subsidiaries.

The company's President and Chief Operating Officer reports on risk considerations to the company's Executive Committee and provides a quarterly report on key risk exposures to the company's Board of Directors. The Executive Committee, in consultation with the President and Chief Operating Officer, approves certain policies for overall risk management, as well as policies addressing specific areas such as investments, underwriting, catastrophe risk and reinsurance. The company's Investment Committee approves policies for the management of market risk (including currency risk, interest rate risk and other price risk) and the use of derivative and non-derivative financial instruments, and monitors to ensure compliance with relevant regulatory guidelines and requirements. A discussion of the company's risks and the management of those risks is an agenda item for every regularly scheduled meeting of the Board of Directors.

Underwriting Risk

Property and casualty insurance and reinsurance

Underwriting risk is the risk that the total cost of claims, claims adjustment expenses, commissions and premium acquisition costs will exceed premiums received and can arise as a result of numerous factors, including pricing risk, reserving risk and catastrophe risk. There were no significant changes to the company's exposure to

underwriting risk, and there were no changes to the framework used to monitor, evaluate and manage underwriting risk at December 31, 2022 compared to December 31, 2021.

Principal lines of business

The company's principal insurance and reinsurance lines of business and the significant insurance risks inherent therein are as follows:

- Property, which insures against losses to property from (among other things) fire, explosion, natural perils (for example, earthquake, windstorm and flood), terrorism and engineering problems (for example, boiler explosion, machinery breakdown and construction defects). Specific types of property risks underwritten by the company include automobile, commercial and personal property and crop;
- Casualty, which insures against accidents (including workers' compensation and automobile) and also includes employers' liability, accident and health, medical malpractice, professional liability and umbrella coverage; and
- Specialty, which insures against marine, aerospace and surety risk, and other various risks and liabilities that are not identified above.

An analysis of net premiums earned by line of business is included in note 25.

The table that follows shows the company's concentration of insurance risk by region and line of business based on gross premiums written prior to giving effect to ceded reinsurance premiums. The company's exposure to general insurance risk varies by geographic region and may change over time. Premiums ceded to reinsurers (including retrocessions) in 2022 by line of business was comprised of property of $1,938.5 (2021 – $1,717.4), casualty of $3,256.6 (2021 – $3,487.7) and specialty of $439.2 (2021 – $423.4).

	Canada		United States		Asia[1]		International[2]		Total[3]	
For the years ended December 31	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Property	1,343.7	1,229.1	4,966.1	3,912.4	984.5	849.2	2,418.2	2,141.9	9,712.5	8,132.6
Casualty	1,243.4	1,159.0	12,004.9	10,364.0	606.6	549.8	1,823.0	1,659.5	15,677.9	13,732.3
Specialty	258.3	223.3	871.6	755.6	343.2	277.4	698.2	674.8	2,171.3	1,931.1
Total	2,845.4	2,611.4	17,842.6	15,032.0	1,934.3	1,676.4	4,939.4	4,476.2	27,561.7	23,796.0
Insurance	2,686.2	2,475.1	13,080.8	11,448.6	789.8	739.7	3,608.6	3,341.0	20,165.4	18,004.4
Reinsurance	159.2	136.3	4,761.8	3,583.4	1,144.5	936.7	1,330.8	1,135.2	7,396.3	5,791.6
	2,845.4	2,611.4	17,842.6	15,032.0	1,934.3	1,676.4	4,939.4	4,476.2	27,561.7	23,796.0

(1) *The Asia geographic segment is primarily comprised of countries located throughout Asia, including China, Japan, India, Sri Lanka, Malaysia, Singapore, Indonesia and South Korea, and the Middle East.*

(2) *The International geographic segment is primarily comprised of countries located in South America, Europe, Africa and Oceania.*

(3) *Excludes Eurolife's life insurance operations' gross premiums written of $350.9 in 2022 and 114.2 in 2021. Eurolife was consolidated on July 14, 2021.*

Pricing risk

Pricing risk arises because actual claims experience may differ adversely from the assumptions used in pricing insurance risk. Historically, the underwriting results of the property and casualty industry have fluctuated significantly due to the cyclical nature of the insurance market. Market cycles are affected by the frequency and severity of losses, levels of capacity and demand, general economic conditions, including inflationary pressures, and competition on rates and terms of coverage. The operating companies focus on profitable underwriting using a combination of experienced underwriting and actuarial staff, pricing models and price adequacy monitoring tools.

Reserving risk

Reserving risk arises because actual claims experience may differ adversely from the assumptions used in setting reserves, in large part due to the length of time between the occurrence of a loss, the reporting of the loss to the insurer and the ultimate resolution of the claim. The degree of uncertainty will vary by line of business according to the characteristics of the insured risks, with the ultimate cost of a claim determined by the actual insured loss suffered by the policyholder. Claims provisions reflect expectations of the ultimate cost of resolution and administration of claims based on an assessment of facts and circumstances then known, a review of historical settlement patterns, estimates of trends in claim severity and frequency, developing case law and other factors.

The time required to learn of and settle claims is often referred to as the "tail" and is an important consideration in establishing the company's reserves. Short-tail claims are those for which losses are normally reported soon after the incident and are generally settled within months following the reported incident. This would include, for example, most property, automobile and marine and aerospace damage. Long-tail claims are considered by the company to be those that often take three years or more to develop and settle, such as asbestos, environmental pollution, workers' compensation, professional liability and product liability. Information concerning the loss event and ultimate cost of a long-tail claim may not be readily available, making the reserving analysis of long-tail lines of business more difficult and subject to greater uncertainties than for short-tail lines of business. In the extreme cases, long-tail claims involving asbestos and environmental pollution, it may take upwards of 40 years to settle. The company employs specialized techniques to determine such provisions using the extensive knowledge of both internal and external asbestos and environmental pollution experts and legal advisors.

The establishment of provisions for losses and loss adjustment expenses is an inherently uncertain process that can be affected by internal factors such as: the risk in estimating loss development patterns based on historical data that may not be representative of future loss payment patterns; assumptions built on industry loss ratios or industry benchmark development patterns that may not reflect actual experience; the intrinsic risk as to the homogeneity of the underlying data used in carrying out the reserve analyses; and external factors such as trends relating to jury awards; economic inflation; medical cost inflation; worldwide economic conditions; tort reforms; court interpretations of coverage; the regulatory environment; underlying policy pricing; claims handling procedures; inclusion of exposures not contemplated at the time of policy inception; and significant changes in severity or frequency of losses relative to historical trends. Due to the amount of time between the occurrence of a loss, the actual reporting of the loss and the ultimate settlement of the claim, provisions may ultimately develop differently from the actuarial assumptions made when initially estimating the provision for losses.

As a result of continued inflationary pressures felt throughout the economy in 2022 and the resulting changes to global monetary policy, the company has placed a renewed focus on inflationary assumptions used in both the pricing of new business and within the company's reserving process, specifically when setting initial loss estimates and projecting the ultimate costs to settle claims. The company has experienced inflationary pressures on its costs to settle claims throughout 2022, and both economic and social inflation remain a key consideration in the company's reserving methodology and form part of its determination in the selection of the company's ultimate cost to settle claims.

The diversity of insurance risk within the company's portfolio of issued policies makes it difficult to predict whether material prior year reserve development will occur and, if it does occur, the location and the timing of such an occurrence.

Catastrophe risk

Catastrophe risk arises from exposure to large losses caused by man-made or natural catastrophes that could result in significant underwriting losses. Weather-related catastrophe losses are also affected by climate change which increases the unpredictability of both frequency and severity of such losses. As the company does not establish reserves for catastrophes in advance of the occurrence of such events, these events may cause volatility in the levels of incurred losses and reserves, subject to the effects of reinsurance recoveries. This volatility may also be contingent upon political and legal developments after the occurrence of the event. The company evaluates potential catastrophic events and assesses the probability of occurrence and magnitude of these events predominantly through probable maximum loss ("PML") modeling techniques and through the aggregation of limits exposed. A wide range of events are simulated using the company's proprietary and commercial models, including single large events and multiple events spanning the numerous geographic regions in which the company assumes insurance risk.

Each operating company has developed and applies strict underwriting guidelines for the amount of catastrophe exposure it may assume as a standalone entity for any one risk and location, and those guidelines are regularly monitored and updated. Operating companies also manage catastrophe exposure by diversifying risk across geographic regions, catastrophe types and other lines of business, factoring in levels of reinsurance protection, adjusting the amount of business written based on capital levels and adhering to risk tolerance guidelines. The company's head office aggregates catastrophe exposure company-wide and continually monitors the group's aggregate exposure. Independent exposure limits for each entity in the group are aggregated to produce an exposure limit for the group as there is presently no model capable of simultaneously projecting the magnitude and probability of loss in all geographic regions in which the company operates. Currently the company's objective is to limit its company-wide catastrophe loss exposure such that one year's aggregate pre-tax net catastrophe losses would not exceed one year's normalized net earnings before income taxes. The company takes a long term view and generally considers a 15% return on common shareholders' equity, adjusted to a pre-tax basis, to be

representative of one year's normalized net earnings. The modeled probability of aggregate catastrophe losses in any one year exceeding this amount is generally more than once in every 250 years.

Management of underwriting risk

To manage exposure to underwriting risk, and the pricing, reserving and catastrophe risks contained therein, operating companies have established limits for underwriting authority and requirements for specific approvals of transactions involving new products or transactions involving existing products which exceed certain limits of size or complexity. The company's objective of operating with a prudent and stable underwriting philosophy with sound reserving is also achieved through the establishment of goals, delegation of authorities, financial monitoring, underwriting reviews and remedial actions to facilitate continuous improvement. The company's provision for claims is reviewed separately by, and must be acceptable to, internal actuaries at each operating company and the company's Chief Actuary. Additionally, independent actuaries are periodically engaged to review an operating company's reserves or reserves for certain lines of business. The company purchases reinsurance protection for risks assumed when it is considered prudent and cost effective to do so at the operating companies for specific exposures and, if needed, at the holding company for aggregate exposures. Steps are taken to actively reduce the volume of insurance and reinsurance underwritten on particular types of risks when the company desires to reduce its direct exposure due to inadequate pricing.

As part of its overall risk management strategy, the company cedes insurance risk through proportional, non-proportional and facultative reinsurance treaties. With proportional reinsurance, the reinsurer shares a pro rata portion of the company's losses and premium, whereas with non-proportional reinsurance, the reinsurer assumes payment of the company's loss above a specified retention, subject to a limit. Facultative reinsurance is the reinsurance of individual risks as agreed by the company and the reinsurer. The company follows a policy of underwriting and reinsuring contracts of insurance and reinsurance which, depending on the type of contract, generally limits the liability of an operating company on any policy to a maximum amount on any one loss. Reinsurance decisions are made by operating companies to reduce and spread the risk of loss on insurance and reinsurance written, to limit multiple claims arising from a single occurrence and to protect capital resources. The amount of reinsurance purchased can vary among operating companies depending on the lines of business written, their respective capital resources and prevailing or expected market conditions. Reinsurance is generally placed on an excess of loss basis and written in several layers, the purpose of which is to limit the amount of one risk to a maximum amount acceptable to the company and to protect from losses on multiple risks arising from a single occurrence. This type of reinsurance includes what is generally referred to as catastrophe reinsurance. The company's reinsurance does not, however, relieve the company of its primary obligation to the policyholder.

The majority of reinsurance contracts purchased by the company provide coverage for a one year term and are negotiated annually. The ability of the company to obtain reinsurance on terms and prices consistent with historical results reflects, among other factors, recent loss experience of the company and of the industry in general. The effects of low interest rates, increased catastrophes, uncertainty surrounding the impact of climate change on the nature of catastrophic losses and rising claims costs are elevating reinsurance pricing, which has affected the company's reinsurance cost for loss affected business and retroactive reinsurance. Notwithstanding the significant catastrophe losses suffered by the industry since 2017, capital adequacy within the reinsurance market remains strong with new capital entering the market and alternative forms of reinsurance capacity continuing to be available. The company remains opportunistic in its use of reinsurance including alternative forms of reinsurance, balancing capital requirements and the cost of reinsurance.

Life Insurance

Life insurance risk in the company arises principally through Eurolife's exposure to actual experience in the areas of mortality, morbidity, longevity, policyholder behaviour and expenses which is adverse to expectations. Exposure to underwriting risk is managed by uniform underwriting procedures that have been established at Eurolife to determine the insurability of applicants and to manage aggregate exposures for adverse deviations in assumptions. These underwriting requirements are regularly reviewed by Eurolife's actuaries.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a counterparty to honour its financial obligations to the company. Credit risk arises predominantly on cash and short term investments, investments in debt instruments, insurance contract receivables, recoverable from reinsurers and receivables from counterparties to derivative contracts (primarily foreign currency forward contracts and total return swaps). There were no significant changes to the company's exposure to credit risk (except as set out in the discussion which follows) or the framework used to monitor, evaluate and manage credit risk at December 31, 2022 compared to December 31, 2021.

The company's gross credit risk exposure (without consideration of amounts held by the company as collateral) was comprised as follows:

	December 31, 2022	December 31, 2021
Cash and short term investments	10,386.0	22,795.5
Investments in debt instruments:		
U.S. sovereign government(1)	14,378.8	3,957.9
Other sovereign government rated AA/Aa or higher(1)(2)	2,413.5	1,074.7
All other sovereign government(3)	2,210.2	2,194.9
Canadian provincials	284.1	45.0
U.S. states and municipalities	262.7	387.2
Corporate and other(4)(5)	9,451.9	6,873.9
Receivable from counterparties to derivative contracts	256.1	158.9
Insurance contract receivables	7,907.5	6,883.2
Recoverable from reinsurers	13,115.8	12,090.5
Other assets(6)	2,024.6	1,881.3
Total gross credit risk exposure	62,691.2	58,343.0

(1) Represented together 30.3% of the company's total investment portfolio at December 31, 2022 (December 31, 2021 – 9.5%) and considered by the company to have nominal credit risk.

(2) Comprised primarily of bonds issued by the governments of Canada, the United Kingdom and Singapore with fair values at December 31, 2022 of $1,923.5, $180.6 and $91.3 respectively (December 31, 2021 – $614.6, $7.7 and $95.1).

(3) Comprised primarily of bonds issued by the governments of Brazil, Greece, Spain and Poland with fair values at December 31, 2022 of $744.2, $690.1,$216.2 and $126.9 respectively (December 31, 2021 – $415.4, $844.7, $297.5, and $78.5).

(4) Represents 17.0% of the company's total investment portfolio at December 31, 2022 compared to 13.0% at December 31, 2021, with the increase principally related to net purchases of short to mid-dated high quality corporate bonds of $2,331.9 and net purchases of unrated first mortgage loans of $870.2.

(5) Includes the company's investments in first mortgage loans at December 31, 2022 of $2,500.7 (December 31, 2021 – $1,659.4) secured by real estate predominantly in the U.S., Europe and Canada as described in note 5.

(6) Excludes assets associated with unit-linked insurance products of $676.5 at December 31, 2022 (December 31, 2021 – $637.1) for which credit risk is not borne by the company, and income taxes refundable of $67.1 at December 31, 2022 (December 31, 2021 – $58.3) that are considered to have nominal credit risk.

Cash and short term investments

The company's cash and short term investments (including those of the holding company) are primarily held at major financial institutions in the jurisdictions in which the company operates. At December 31, 2022, 69.4% of these balances were held in Canadian and U.S. financial institutions, 24.8% in European financial institutions and 5.8% in other foreign financial institutions (December 31, 2021 – 82.7%, 14.9% and 2.4% respectively). The company monitors risks associated with cash and short term investments by regularly reviewing the financial strength and creditworthiness of these financial institutions and more frequently during periods of economic volatility. From these reviews, the company may transfer balances from financial institutions where it perceives heightened credit risk to others considered to be more stable.

Investments in debt instruments

The company's risk management strategy for debt instruments is to invest primarily in those of high credit quality issuers and to limit the amount of credit exposure to any one corporate issuer. Management considers high quality debt instruments to be those with a S&P or Moody's issuer credit rating of BBB/Baa or higher. While the company reviews third party credit ratings, it also performs its own analysis and does not delegate the credit decision to rating agencies. The company endeavours to limit credit exposure by monitoring fixed income portfolio limits on individual corporate issuers and on credit quality and may, from time to time, initiate positions in certain types of derivatives to further mitigate credit risk exposure.

The composition of the company's investments in debt instruments classified according to the higher of each security's respective S&P and Moody's issuer credit rating is presented in the table that follows:

	December 31, 2022			December 31, 2021		
Issuer Credit Rating	**Amortized cost**	**Fair value**	**%**	**Amortized cost**	**Fair value**	**%**
AAA/Aaa	17,119.4	16,721.6	57.7	5,248.2	5,237.3	36.1
AA/Aa	858.3	847.6	2.9	435.0	437.7	3.0
A/A	2,409.6	2,330.6	8.0	1,838.4	1,865.5	12.8
BBB/Baa	3,410.3	3,348.7	11.5	1,749.9	1,914.6	13.2
BB/Ba	2,114.9	1,917.2	6.6	1,840.9	1,808.3	12.4
B/B	48.2	49.6	0.2	115.0	114.8	0.8
Lower than B/B	79.7	80.0	0.3	58.4	62.9	0.4
Unrated(1)(2)	3,928.2	3,705.9	12.8	2,935.3	3,092.5	21.3
Total	29,968.6	29,001.2	100.0	14,221.1	14,533.6	100.0

(1) Comprised primarily of the fair value of the company's investments in Blackberry Limited of $285.0 (December 31, 2021 – $535.1), JAB Pet Holdings Ltd. of $239.1 (December 31, 2021 – nil) and Mosaic Capital of $81.7 (December 31, 2021 – $129.3).

(2) Includes the company's investments in first mortgage loans at December 31, 2022 of $2,500.7 (December 31, 2021 – $1,659.4) secured by real estate predominantly in the U.S., Europe and Canada, with a weighted average loan-to-value ratio of approximately 60%, reducing the company's credit risk exposure related to these investments.

At December 31, 2022, 80.1% (December 31, 2021 – 65.1%) of the fixed income portfolio's carrying value was rated investment grade or better, with 60.6% (December 31, 2021 – 39.1%) rated AA or better (primarily consisting of government bonds). The increase in the fair value of bonds rated AAA/Aaa primarily reflected net purchases of U.S. treasury and Canadian government bonds with 1 to 5 year terms of $10,721.3 and $1,422.1. The increase in the fair value of bonds rated A/A and BBB/Baa was primarily due to net purchases of high quality corporate bonds of $515.1 and $1,852.4. The increase in the fair value of unrated bonds was primarily due to net purchases of first mortgage loans of $870.2 and debentures received on the sale of Crum & Forster's Pet Insurance Group and Pethealth as described in note 23.

At December 31, 2022 holdings of bonds in the ten issuers to which the company had the greatest exposure (excluding U.S., Canadian, U.K. and German sovereign government bonds) totaled $3,599.2 (December 31, 2021 – $3,444.5), which represented approximately 6.5% (December 31, 2021 – 6.5%) of the total investment portfolio. Exposure to the largest single issuer of corporate bonds at December 31, 2022 was the company's investment in BP Capital Markets America Inc. of $427.7 (December 31, 2021 – Blackberry Limited of $535.1), which represented approximately 0.8% (December 31, 2021 – 1.0%) of the total investment portfolio.

Counterparties to derivative contracts

Counterparty risk arises from the company's derivative contracts primarily in three ways: first, a counterparty may be unable to honour its obligation under a derivative contract and have insufficient collateral pledged in favour of the company to support that obligation; second, collateral deposited by the company to a counterparty as a prerequisite for entering into certain derivative contracts (also known as initial margin) may be at risk should the counterparty face financial difficulty; and third, excess collateral pledged in favour of a counterparty may be at risk should the counterparty face financial difficulty (counterparties may hold excess collateral as a result of the timing of the settlement of the amount of collateral required to be pledged based on the fair value of a derivative contract).

The company endeavours to limit counterparty risk through diligent selection of counterparties to its derivative contracts and through the terms of negotiated agreements. Pursuant to these agreements, counterparties are contractually required to deposit eligible collateral in collateral accounts (subject to certain minimum thresholds) for the benefit of the company based on the daily fair value of the derivative contracts. The company's exposure to risk associated with providing initial margin is mitigated where possible through the use of segregated third party custodian accounts that only permit counterparties to take control of the collateral in the event of default by the company.

Agreements negotiated with counterparties provide for a single net settlement of all financial instruments covered by the agreement in the event of default by the counterparty, thereby permitting obligations owed by the company to a counterparty to be offset against amounts receivable by the company from that counterparty (the "net settlement arrangements"). The following table sets out the company's net derivative counterparty risk assuming all derivative counterparties are simultaneously in default:

	December 31, 2022	December 31, 2021
Total derivative assets[1]	256.1	158.9
Obligations that may be offset under net settlement arrangements	(33.0)	(9.6)
Fair value of collateral deposited for the benefit of the company[2]	(216.0)	(116.5)
Excess collateral pledged by the company in favour of counterparties	4.6	4.8
Net derivative counterparty exposure after net settlement and collateral arrangements	11.7	37.6

(1) Excludes equity warrants, equity call options, AVLNs entered with RiverStone Barbados and other derivatives which are not subject to counterparty risk.

(2) Excludes excess collateral pledged by counterparties of $68.4 at December 31, 2022 (December 31, 2021 – $22.5).

Collateral deposited for the benefit of the company at December 31, 2022 consisted of cash of $9.5 and government securities of $274.9 (December 31, 2021 – $14.3 and $125.7). The company had not exercised its right to sell or repledge collateral at December 31, 2022.

Recoverable from reinsurers

Credit risk on the company's recoverable from reinsurers balance existed at December 31, 2022 to the extent that any reinsurer may be unable or unwilling to reimburse the company under the terms of the relevant reinsurance arrangements. The company is also exposed to the credit risk assumed in fronting arrangements and to potential reinsurance capacity constraints. The company regularly assesses the creditworthiness of reinsurers with whom it transacts business; internal guidelines generally require reinsurers to have strong A.M. Best ratings and to maintain capital and surplus in excess of $500.0. Where contractually provided for, the company has collateral for outstanding balances in the form of cash, letters of credit, guarantees or assets held in trust accounts. This collateral may be drawn on when amounts remain unpaid beyond contractually specified time periods for each individual reinsurer.

The company's reinsurance analysts conduct ongoing detailed assessments of current and potential reinsurers, perform annual reviews of impaired reinsurers, and provide recommendations for uncollectible reinsurance provisions for the group. The reinsurance analysts also collect and maintain individual operating company and group reinsurance exposures across the company. The company's single largest recoverable from a reinsurer (Munich Reinsurance Company) represented 8.2% of shareholders' equity attributable to shareholders of Fairfax at December 31, 2022 (December 31, 2021 – 7.5%) and is rated A+ by A.M. Best.

The company's gross exposure to credit risk from its reinsurers increased at December 31, 2022 compared to December 31, 2021, primarily reflecting an increase in reinsurers' share of unearned premiums and paid and unpaid losses due to increased business volumes. Changes that occurred in the provision for uncollectible reinsurance during the year are disclosed in note 9.

The following table presents the gross recoverable from reinsurers classified according to the financial strength ratings of the reinsurers. Pools and associations are generally government or similar insurance funds with limited credit risk.

	December 31, 2022			December 31, 2021		
A.M. Best Rating (or S&P equivalent)	**Gross recoverable from reinsurers**	**Outstanding balances for which security is held**	**Net unsecured recoverable from reinsurers**	**Gross recoverable from reinsurers**	**Outstanding balances for which security is held**	**Net unsecured recoverable from reinsurers**
A++	600.3	24.2	576.1	568.2	27.2	541.0
A+	6,631.3	444.1	6,187.2	5,905.9	494.4	5,411.5
A	3,750.9	205.9	3,545.0	3,899.8	227.3	3,672.5
A-	478.4	53.6	424.8	371.9	43.9	328.0
B++	55.3	4.3	51.0	50.8	4.6	46.2
B+	0.8	–	0.8	0.5	0.3	0.2
B or lower	10.6	–	10.6	20.2	0.1	20.1
Not rated	998.8	506.5	492.3	1,004.0	576.7	427.3
Pools and associations	761.3	6.6	754.7	447.9	7.1	440.8
	13,287.7	1,245.2	12,042.5	12,269.2	1,381.6	10,887.6
Provision for uncollectible reinsurance	(171.9)		(171.9)	(178.7)		(178.7)
Recoverable from reinsurers	13,115.8		11,870.6	12,090.5		10,708.9

Liquidity Risk

Liquidity risk is the potential for loss if the company is unable to meet financial commitments in a timely manner at reasonable cost as they fall due. The company's cash flows in the near term may be impacted by the need to provide capital to support growth in the insurance and reinsurance companies in a favourable pricing environment and to support fluctuations in their investment portfolios due to the economic uncertainty caused by increased inflationary pressures that have resulted in central banks across the world simultaneously raising interest rates to address inflation. The company's policy is to ensure that sufficient liquid assets are available to meet financial commitments, including liabilities to policyholders and debt holders, dividends on preferred shares and investment commitments. Cash flow analysis is performed regularly at both the holding company and operating companies to ensure that future cash needs are met or exceeded by cash flows generated by operating companies.

Holding Company

The holding company's known significant commitments for 2023 consist of payment of a common share dividend of $245.2 ($10.00 per common share, paid in January 2023), interest and corporate overhead expenses, preferred share dividends, income tax payments, potential payments on amounts borrowed from the revolving credit facility and other investment related activities. Additionally, pursuant to the sale of RiverStone Barbados as described in note 23, the company has guaranteed the remaining value of $486.8 at December 31, 2022 of certain securities that remain held by CVC and certain affiliates thereof until such time that the securities are purchased by or sold at the direction of Hamblin Watsa, prior to the end of 2023. Should the company direct that the securities be sold, any difference between their fair value and guaranteed value will be settled in cash (a derivative asset of $30.7 at December 31, 2022) as described in note 7.

The company believes that holding company cash and investments, net of holding company derivative obligations, at December 31, 2022 of $1,326.4 provides adequate liquidity to meet the holding company's known commitments in 2023. The holding company expects to continue to receive investment management and administration fees and dividends from its insurance and reinsurance subsidiaries, and investment income on its holdings of cash and investments. To further augment its liquidity, the holding company can borrow from its $2.0 billion unsecured revolving credit facility, which was undrawn at December 31, 2022.

The holding company may experience cash inflows or outflows on occasion related to its derivative contracts, including collateral requirements. During 2022 the holding company received net cash of $269.1 (2021 – $262.7) in connection with long equity total return swaps contracts, principally related to the company's investment in long equity total return swaps on Fairfax subordinate voting shares of $154.8 (2021 – $130.9) (excluding the impact of collateral requirements).

On October 31, 2022, excluding the $250.0 in debentures, the holding company received net cash proceeds of $940.0 from the sale of the Crum & Forster Pet Insurance Group and Pethealth, including all of their worldwide operations, as described in note 23.

On August 16, 2022 the company completed an offering of $750.0 principal amount of 5.625% unsecured senior notes due August 16, 2032 for net proceeds of $743.4 after discount, commissions and expenses. On September 27, 2022 the company increased its ownership interest in Allied World to 82.9% from 70.9% for total consideration of $733.5, inclusive of the fair value of a call option exercised and an accrued dividend paid, and recorded a loss in retained earnings of $228.1 in net changes in capitalization in the consolidated statement of changes in equity.

Insurance and reinsurance subsidiaries

The liquidity requirements of the insurance and reinsurance subsidiaries principally relate to liabilities associated with underwriting, operating expenses, the payment of dividends to the holding company, contributions to their subsidiaries, payment of principal and interest on their outstanding debt obligations, income tax payments, investment commitments and certain derivative obligations (described below). Liabilities associated with underwriting include the payment of claims and direct commissions. Historically, the insurance and reinsurance subsidiaries have used cash inflows from operating activities (primarily the collection of premiums and reinsurance commissions) and investment activities (primarily repayments of principal on debt investments, sales of investment securities and investment income) to fund their liquidity requirements. The insurance and reinsurance subsidiaries may also receive cash inflows from financing activities (primarily distributions received from their subsidiaries).

The company's insurance and reinsurance subsidiaries, and the holding company at a consolidated level, focus on the stress that could be placed on liquidity requirements as a result of severe disruption or volatility in the capital markets or extreme catastrophe activity, or a combination of both. The insurance and reinsurance subsidiaries maintain investment strategies intended to provide adequate funds to pay claims or withstand disruption or volatility in the capital markets without forced sales of investments. The insurance and reinsurance subsidiaries hold highly liquid, high quality short-term investment securities and other liquid investment grade fixed maturity securities to fund anticipated claim payments, operating expenses and commitments related to investments. At December 31, 2022 portfolio investments, net of derivative obligations, was $54.2 billion (December 31, 2021 – $51.6 billion). Portfolio investments include investments that may lack liquidity or are inactively traded, including corporate debentures, first mortgage loans, preferred stocks, common stocks, limited partnership interests, other invested assets and investments in associates. At December 31, 2022 these asset classes represented approximately 14.1% (December 31, 2021 – 12.7%) of the carrying value of the insurance and reinsurance subsidiaries' portfolio investments. Fairfax India held investments that may lack liquidity or are inactively traded with a carrying value of $1,117.5 at December 31, 2022 (December 31, 2021 – $1,129.6).

The insurance and reinsurance subsidiaries may experience cash inflows or outflows on occasion related to their derivative contracts, including collateral requirements. During 2022 the insurance and reinsurance subsidiaries paid net cash of $30.9 in connection with long equity total return swaps, excluding the impact of collateral requirements (2021 – received net cash of $176.9).

Non-insurance companies

The non-insurance companies have principal repayments coming due in 2023 of $371.8, primarily related to AGT's credit facilities. Borrowings of the non-insurance companies are non-recourse to the holding company and are generally expected to be settled through a combination of refinancing and operating cash flows.

Maturity profile of the company's consolidated financial and insurance liabilities

The following tables set out the maturity profile of the company's financial and insurance liabilities based on the expected undiscounted cash flows from the balance sheet date to the contractual maturity date or the settlement date:

	December 31, 2022					
	3 months or less	**3 months to 1 year**	**1 – 3 years**	**3 – 5 years**	**More than 5 years**	**Total**
Accounts payable and accrued liabilities[1]	1,521.1	1,158.4	1,090.7	395.9	564.7	4,730.8
Insurance contract payables[2]	939.9	2,600.7	242.2	39.5	661.2	4,483.5
Provision for losses and loss adjustment expenses	3,428.6	8,506.6	10,944.1	5,965.6	9,474.3	38,319.2
Provision for life policy benefits	45.5	161.0	455.6	631.8	1,235.8	2,529.7
Borrowings – holding company and insurance and reinsurance companies:						
Principal	0.1	0.2	1,051.4	904.2	4,704.4	6,660.3
Interest	84.3	209.2	567.0	462.2	598.9	1,921.6
Borrowings – non-insurance companies:						
Principal	254.5	117.3	781.9	61.3	798.2	2,013.2
Interest	26.9	69.0	148.6	83.6	83.1	411.2
	6,300.9	12,822.4	15,281.5	8,544.1	18,120.6	61,069.5

	December 31, 2021					
	3 months or less	**3 months to 1 year**	**1 – 3 years**	**3 – 5 years**	**More than 5 years**	**Total**
Accounts payable and accrued liabilities[1]	1,586.6	821.6	1,131.3	399.1	519.7	4,458.3
Insurance contract payables[2]	1,026.7	1,970.0	346.4	16.1	611.6	3,970.8
Provision for losses and loss adjustment expenses	2,925.1	7,033.9	10,662.4	5,391.2	8,410.2	34,422.8
Provision for life policy benefits	72.0	162.7	585.0	575.7	1,280.4	2,675.8
Borrowings – holding company and insurance and reinsurance companies:						
Principal	0.1	0.2	283.1	1,270.8	4,614.8	6,169.0
Interest	66.0	193.8	520.0	445.6	584.9	1,810.3
Borrowings – non-insurance companies:						
Principal	512.2	72.2	270.8	41.3	736.8	1,633.3
Interest	38.3	35.9	99.8	78.9	114.9	367.8
	6,227.0	10,290.3	13,898.8	8,218.7	16,873.3	55,508.1

(1) Excludes pension and post retirement liabilities (note 21), deferred gift card, hospitality and other revenue, accrued interest expense and other. The maturity profile of lease liabilities included in the table above is presented in note 22.

(2) Excludes ceded deferred premium acquisition costs.

The timing of claims payments is not fixed and represents the company's best estimate. The payment obligations which are due beyond one year in insurance contract payables primarily relate to certain payables to brokers and reinsurers not expected to be settled in the short term.

The following table provides a maturity profile of the company's derivative obligations based on the expected undiscounted cash flows from the balance sheet date to the contractual maturity date or the settlement date:

	December 31, 2022				December 31, 2021			
	3 months or less	3 months to 1 year	More than 1 year	Total	3 months or less	3 months to 1 year	More than 1 year	Total
Equity total return swaps – long positions	19.1	0.3	–	19.4	1.8	0.1	–	1.9
Foreign currency forward and swap contracts	51.1	5.0	50.7	106.8	26.4	5.0	46.0	77.4
Other derivative contracts	25.6	38.5	0.7	64.8	46.5	26.7	0.4	73.6
	95.8	43.8	51.4	191.0	74.7	31.8	46.4	152.9

Market Risk

Market risk, comprised of foreign currency risk, interest rate risk and other price risk, is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The company is exposed to market risk principally in its investing activities, and also in its underwriting activities where those activities expose the company to foreign currency risk. The company's investment portfolios are managed with a long term, value-oriented investment philosophy emphasizing downside protection, with policies to limit and monitor individual issuer exposures and aggregate equity exposure at the subsidiary and consolidated levels. The following is a discussion of the company's primary market risk exposures and how those exposures are managed.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Typically, as interest rates rise, the fair value of fixed income investments decline and, conversely, as interest rates decline, the fair value of fixed income investments rise. In each case, the longer the maturity of the financial instrument, the greater the consequence of a change in interest rates. The company's interest rate risk management strategy is to position its fixed income portfolio based on its view of future interest rates and the yield curve, balanced with liquidity requirements. The company may reposition the portfolio in response to changes in the interest rate environment. At December 31, 2022 the company's investment portfolio included fixed income securities with an aggregate fair value of approximately $29.0 billion (December 31, 2021 – $14.5 billion) that is subject to interest rate risk.

The company's exposure to interest rate risk increased during 2022 primarily due to net investments of existing cash and the proceeds from sales and maturities of U.S. treasury and Canadian provincial short term investments into U.S. treasury and Canadian government bonds with 1 to 5 year terms and short-dated high quality corporate bonds of $10,721.3, $1,422.1 and $2,202.6, respectively. To reduce its exposure to interest rate risk (primarily exposure to certain long-dated U.S. corporate bonds and U.S. state and municipal bonds held in its fixed income portfolio), the company held forward contracts to sell long-dated U.S. treasury bonds with a notional amount at December 31, 2022 of $183.7 (December 31, 2021 – $1,691.3) and maintained a relatively low duration on its bond portfolio. See note 5 for details of the company's fixed income maturity profile. The decrease in U.S. treasury bond forward contracts held primarily reflected the closing of certain contracts as interest rates increased during the second half of 2022 and from the corresponding decrease in the company's exposure to certain U.S. corporate bonds from sales completed in late 2021. There were no other significant changes to the company's framework used to monitor, evaluate and manage interest rate risk at December 31, 2022 compared to December 31, 2021.

Movements in the term structure of interest rates affect the level and timing of recognition in earnings of gains and losses on fixed income securities held. Generally, the company's investment income may be reduced during sustained periods of lower interest rates as higher yielding fixed income securities are called, mature, or sold, and the proceeds reinvested at lower interest rates. During periods of rising interest rates, the market value of the company's existing fixed income securities will generally decrease and gains on fixed income securities will likely be reduced. Losses are likely to be incurred following significant increases in interest rates. General economic conditions, political conditions and many other factors can also adversely affect the bond markets and, consequently, the value of fixed income securities held. These risks are monitored by the company's senior portfolio managers and Chief Executive Officer, and taken into consideration when managing the consolidated bond portfolio.

The table below displays the potential impact of changes in interest rates on the company's fixed income portfolio based on parallel 200 basis points shifts up and down, in 100 basis points increments, which the company believes to be reasonably possible in the current economic environment given the continued uncertainty caused by increased inflationary pressures and interest rates. This analysis was performed on each individual security to determine the hypothetical effect on net earnings.

	December 31, 2022			December 31, 2021		
	Fair value of fixed income portfolio	Hypothetical change in net earnings(1)	Hypothetical % change in fair value(1)	Fair value of fixed income portfolio	Hypothetical change in net earnings(1)	Hypothetical % change in fair value(1)
Change in interest rates						
200 basis point increase	27,944.0	(852.9)	(3.7)	13,984.0	(418.4)	(3.8)
100 basis point increase	28,461.5	(435.4)	(1.9)	14,239.6	(224.3)	(2.0)
No change	29,001.2	–	–	14,533.6	–	–
100 basis point decrease	29,616.2	496.4	2.1	14,900.9	280.6	2.5
200 basis point decrease	30,289.0	1,039.7	4.4	15,327.9	607.5	5.5

(1) Includes the impact of forward contracts to sell long dated U.S. treasury bonds with a notional amount at December 31, 2022 of $183.7 (December 31, 2021 – $1,691.3).

Certain shortcomings are inherent in the method of analysis presented above. Computations of the prospective effects of hypothetical interest rate changes are based on numerous assumptions, including the maintenance of the level and composition of fixed income securities at the indicated date, and should not be relied on as indicative of future results. Actual values may differ from the projections presented should market conditions vary from assumptions used in the calculation of the fair value of individual securities; such variations may include non-parallel shifts in the term structure of interest rates and changes in individual issuer credit spreads.

Market price fluctuations

Market price fluctuation is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or other factors affecting all similar financial instruments in the market. The company's risk management objective for market price fluctuations places primary emphasis on the preservation of invested capital. The company holds significant investments in equity and equity-related instruments. As discussed in the preceding sections, increased inflationary pressures and interest rates have increased market uncertainty and may adversely impact the fair values or future cash flows of the company's equity and equity-related holdings. The company's exposure to equity price risk through its equity and equity-related holdings increased at December 31, 2022 compared to December 31, 2021 as shown in the table below.

The company holds significant investments in equity and equity-related instruments. The market value and the liquidity of these investments are volatile and may vary dramatically either up or down in short periods, and their ultimate value will therefore only be known over the long term or on disposition. The following table summarizes the effect of the company's equity and equity-related holdings on the company's financial position as at December 31, 2022 and 2021 and results of operations for the years then ended. In that table the company

considers its non-insurance investments in associates (note 6) with a fair value at December 31, 2022 of $8,183.3 (December 31, 2021 – $7,192.1) as a component of its equity and equity-related holdings when assessing its equity exposures.

	December 31, 2022		December 31, 2021		Year ended December 31, 2022	Year ended December 31, 2021
	Exposure/ Notional amount	Carrying value	Exposure/ Notional amount	Carrying value	Pre-tax earnings (loss)	Pre-tax earnings (loss)
Long equity exposures:						
Common stocks	5,234.4	5,234.4	5,845.5	5,845.5	(242.7)	1,333.4
Preferred stocks – convertible[1]	44.2	44.2	54.5	54.5	(4.4)	2.8
Bonds – convertible	414.5	414.5	583.4	583.4	(237.0)	101.3
Investments in associates[1][2][3]	8,183.3	6,786.6	7,192.1	5,496.6	45.1	52.7
Sale and deconsolidation of non-insurance subsidiaries[4]	–	–	–	–	4.4	190.3
Equity derivatives[5]	2,076.0	269.4	2,590.2	455.3	190.8	631.6
Long equity exposures and financial effects	15,952.4	12,749.1	16,265.7	12,435.3	(243.8)	2,312.1

(1) Excludes the company's insurance and reinsurance investments in associates and joint ventures and certain other equity and equity-related holdings which are considered long term strategic holdings. See note 6.

(2) Pre-tax earnings (loss) excludes share of profit (loss) of associates, and includes gain (loss) on sale of non-insurance associates and joint ventures.

(3) During 2021 the company sold a portion of its investment in IIFL Finance for cash proceeds of $113.7 (8.6 billion Indian rupees) and recorded a net realized gain of $42.0 in the consolidated statement of earnings as described in note 6.

(4) Principally comprised of the sale of Toys "R" Us Canada, the privatization of Mosaic Capital and Fairfax India's sale of Privi during 2021.

(5) Includes net gains on investments of $255.4 (2021 – $222.7) recognized on the company's investment in long equity total return swaps on Fairfax subordinate voting shares.

The table that follows illustrates the potential impact on net earnings of changes in the fair value of the company's equity and equity-related holdings as a result of changes in global equity markets at December 31, 2022 and 2021. The analysis assumes variations of 10% and 20% (December 31, 2021 – 10% and 20%) which the company believes to be reasonably possible in the current economic environment based on analysis of the return on various equity indexes and management's knowledge of global equity markets.

	December 31, 2022				
Change in global equity markets	**20% increase**	**10% increase**	**No change**	**10% decrease**	**20% decrease**
Fair value of equity and equity-related holdings	9,297.5	8,531.9	7,769.1	7,010.3	6,258.5
Hypothetical $ change in net earnings	1,301.9	649.8	–	(646.8)	(1,287.8)
Hypothetical % change in fair value	19.7	9.8	–	(9.8)	(19.4)

	December 31, 2021				
Change in global equity markets	**20% increase**	**10% increase**	**No change**	**10% decrease**	**20% decrease**
Fair value of equity and equity-related holdings	10,861.1	9,966.1	9,073.6	8,184.4	7,297.3
Hypothetical $ change in net earnings	1,549.7	773.5	–	(770.6)	(1,538.8)
Hypothetical % change in fair value	19.7	9.8	–	(9.8)	(19.6)

The change in fair value of non-insurance investments in associates and joint ventures has been excluded from each of the scenarios presented above as any change in the fair value of an investment in associate is generally recognized in the company's consolidated financial reporting only upon disposition of the associate. Changes in fair value of equity and equity-related holdings related to insurance and reinsurance investments in associates and joint ventures and certain other equity and equity-related holdings have also been excluded from each of the scenarios presented above as those investments are considered long term strategic holdings.

At December 31, 2022 the company's ten largest holdings within common stocks, long equity total return swaps and non-insurance investments in associates and joint ventures totaled $6,958.2 or 12.5% of the total investment portfolio (December 31, 2021 – $6,048.7 or 11.4%), of which the largest single holding was the company's investment in Eurobank of $1,507.6 (note 6) or 2.7% of the total investment portfolio (December 31, 2021 – $1,298.4 or 2.4%).

Foreign currency risk

Foreign currency risk is the risk that the fair value or cash flows of a financial instrument or another asset or liability will fluctuate because of changes in foreign currency exchange rates and produce an adverse effect on earnings or equity when measured in a company's functional currency. The company is exposed to foreign currency risk through transactions conducted in currencies other than the U.S. dollar, including net premiums earned and losses on claims, net that are denominated in foreign currencies. Investments in associates and net investments in subsidiaries with functional currencies other than the U.S. dollar also result in exposure to foreign currency risk. There were no significant changes to the company's exposure to foreign currency risk or the framework used to monitor, evaluate and manage foreign currency risk at December 31, 2022 compared to December 31, 2021.

The company's foreign currency risk management objective is to mitigate the impact of foreign currency exchange rate fluctuations on total equity, notwithstanding the company's exposure to the Indian rupee from its investment in Fairfax India. The company monitors its invested assets for exposure to foreign currency risk and limits such exposure as deemed necessary. At the consolidated level the company accumulates and matches all significant asset and liability foreign currency exposures to identify net unmatched positions, whether long or short. To mitigate exposure to an unmatched position, the company may: enter into long and short foreign currency forward contracts (primarily denominated in the euro, the British pound sterling and the Canadian dollar) to manage exposure on foreign currency denominated transactions; identify or incur foreign currency denominated liabilities to manage exposure to investments in associates and net investments in subsidiaries with functional currencies other than the U.S. dollar; and, purchase investments denominated in the same currency as foreign currency exposed liabilities. Despite such efforts, the company may experience gains or losses resulting from foreign currency fluctuations, which may favourably or adversely affect operating results.

At December 31, 2022 the company has designated the carrying value of Cdn$2,800.0 principal amount of its Canadian dollar denominated unsecured senior notes with a fair value of $1,926.8 (December 31, 2021 – principal amount of Cdn$2,800.0 with a fair value of $2,364.6) as a hedge of a portion of its net investment in Canadian subsidiaries. During 2022 the company recognized pre-tax gains of $149.5 (2021 – pre-tax losses of $16.7) related to exchange rate movements on the Canadian dollar denominated unsecured senior notes in gains (losses) on hedge of net investment in Canadian subsidiaries in the consolidated statement of comprehensive income.

At December 31, 2022 the company has designated the carrying value of €750.0 principal amount of its euro denominated unsecured senior notes with a fair value of $698.3 (December 31, 2021 – principal amount of €750.0 with a fair value of $926.3) as a hedge of its net investment in European operations with a euro functional currency. During 2022 the company recognized pre-tax gains of $51.8 (2021 – $63.9) related to exchange rate movements on the euro denominated unsecured senior notes in gains on hedge of net investment in European operations in the consolidated statement of comprehensive income.

The pre-tax foreign exchange effects included in net gains (losses) on investments in the company's consolidated statements of earnings for the years ended December 31 were as follows:

	2022	2021
Net gains (losses) on investments:		
Investing activities	(366.5)	(122.3)
Underwriting activities	8.6	41.2
Foreign currency contracts	53.6	(12.0)
Foreign currency net losses	(304.3)	(93.1)

Foreign currency net losses on investing activities during 2022 primarily related to the strengthening of the U.S. dollar relative to the company's investments denominated in the Indian rupee, Canadian dollar, Egyptian pound, Sri Lankan rupee and British pound, partially offset by foreign currency net gains on U.S. dollar denominated investments held by subsidiaries with a Canadian dollar or British pound functional currency as the U.S. dollar strengthened relative to those currencies. Foreign currency net losses on investing activities during 2021 primarily related to euro and Indian rupee denominated investments held by subsidiaries with a U.S. dollar functional currency as the U.S. dollar strengthened relative to those currencies.

The tables below present, in U.S. dollars, the foreign currency assets and liabilities to which the company is principally exposed, showing separately those assets and liabilities that result in foreign currency transaction gains and losses in the consolidated statement of earnings and those that result in foreign currency translation gains and losses in the consolidated statement of other comprehensive income. The tables also present the approximate effect of a 10% appreciation of the U.S. dollar against each of the principal foreign currencies on pre-tax earnings (loss), net earnings (loss), pre-tax other comprehensive income (loss) and other comprehensive income (loss). Certain shortcomings are inherent in the method of analysis presented, including the assumption that the 10% appreciation of the U.S. dollar occurred at December 31, 2022 with all other variables held constant.

Foreign currency effects on the consolidated statement of earnings

	Canadian dollar		Euro		British pound sterling		Indian rupee	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Assets	1,751.0	1,863.4	1,033.2	905.5	1,739.4	1,748.6	1,872.9	2,795.0
Liabilities	(791.0)	(671.6)	(1,275.4)	(1,134.2)	(2,252.8)	(2,156.6)	(252.9)	(273.7)
Net asset (liability) exposure	960.0	1,191.8	(242.2)	(228.7)	(513.4)	(408.0)	1,620.0	2,521.3
Notional long (short) amount of foreign currency forward contracts	(1,258.2)	(1,251.2)	(208.7)	(84.9)	87.0	(8.4)	3.4	4.2
Net asset (liability) exposure after foreign currency forward contracts	(298.2)	(59.4)	(450.9)	(313.6)	(426.4)	(416.4)	1,623.4	2,525.5
Hypothetical change in pre-tax earnings (loss)	29.8	5.9	45.1	31.4	42.6	41.6	(162.3)	(252.6)
Hypothetical change in net earnings (loss)	23.7	1.7	36.6	26.9	37.6	35.5	(161.2)	(235.8)

The hypothetical effects at December 31, 2022 of the foreign currency movements on pre-tax earnings (loss) in the table above principally related to the following:

Canadian dollar: Net liability exposure after foreign currency forward contracts at December 31, 2022 primarily related to net liabilities at Odyssey Group and Crum & Forster, partially offset by net assets at Corporate and Other and Allied World. The increase in net liability exposure after foreign currency forward contracts at December 31, 2022 compared to December 31, 2021 principally reflected higher loss reserves at Allied World and Odyssey Group and lower portfolio investments held by Crum & Forster and Zenith National.

Euro: Net liability exposure after foreign currency forward contracts at December 31, 2022 primarily related to net liabilities at Odyssey Group, Allied World, Crum & Forster and Brit. The increase in net liability exposure after foreign currency forward contracts at December 31, 2022 compared to December 31, 2021 primarily reflected lower portfolio investments and higher loss reserves at Odyssey Group, partially offset by higher portfolio investments at Allied World.

British pound sterling: Net liability exposure after foreign currency forward contracts at December 31, 2022 primarily related to net liabilities at Allied World, Brit and Odyssey Group. The increase in net liability exposure after foreign currency forward contracts at December 31, 2022 compared to December 31, 2021 primarily reflected higher loss reserves at Allied World.

Indian rupee: Net asset exposure after foreign currency forward contracts at December 31, 2022 primarily related to net assets at Fairfax Asia. The decrease in net asset exposure after foreign currency forward contracts at December 31, 2022 compared to December 31, 2021 primarily reflected the reinvestment of proceeds from the sale of Indian government bonds in 2021 into other currency investments during 2022.

Foreign currency effects on the consolidated statement of other comprehensive income

	Canadian dollar		Euro		British pound sterling		Indian rupee	
	2022	2021	2022	2021	2022	2021	2022	2021
Assets	11,055.5	11,028.6	8,269.4	7,549.2	1,783.3	1,793.8	3,697.6	3,663.6
Liabilities	(7,129.0)	(6,719.6)	(6,844.3)	(6,066.3)	(1,339.1)	(1,292.7)	(1,251.3)	(1,184.8)
Net asset exposure before hedge of net investment	3,926.5	4,309.0	1,425.1	1,482.9	444.2	501.1	2,446.3	2,478.8
Hedge of net investment	(2,057.7)	(2,205.5)	(792.2)	(842.4)	–	–	–	–
Net asset exposure after hedge of net investment	1,868.8	2,103.5	632.9	640.5	444.2	501.1	2,446.3	2,478.8
Hypothetical change in pre-tax other comprehensive income (loss)	(186.9)	(210.4)	(63.3)	(64.1)	(44.4)	(50.1)	(244.6)	(247.9)
Hypothetical change in other comprehensive income (loss)	(181.3)	(209.3)	(35.7)	(40.0)	(43.5)	(49.1)	(228.0)	(230.5)

The hypothetical effects at December 31, 2022 of the foreign currency movements on pre-tax other comprehensive income (loss) in the table above principally related to the translation of the company's non-U.S. dollar net investments in subsidiaries and investments in associates as follows:

Canadian dollar: Primarily related to net investments in Northbridge and Canadian subsidiaries within the Non-insurance companies reporting segment (principally Recipe, Dexterra Group and Boat Rocker) and the company's investments in associates (principally Stelco), partially offset by the impact of Canadian dollar borrowings applied as a hedge of net investment in Canadian subsidiaries. The decrease in net asset exposure after hedge of net investment at December 31, 2022 compared to December 31, 2021 primarily reflected non-cash goodwill impairment charges on Farmers Edge (note 12), partially offset by increased net investments at Northbridge (principally related to net earnings, partially offset by dividends paid) and increased investments in associates (principally Stelco).

Euro: Primarily related to the company's investments in associates (principally Eurobank and Astarta) and net investments in Eurolife and Colonnade Insurance, partially offset by Odyssey Group's net investment in its European branches (net liability exposure) and euro borrowings applied as a hedge of net investment in European operations. The decrease in net asset exposure after hedge of net investment at December 31, 2022 compared to December 31, 2021 principally reflected decreased net investments in Odyssey Group's European branches and Eurolife, partially offset by the consolidation of Grivalia Hospitality and increased exposure in the company's investments in associates (primarily related to share of profit of Eurobank).

British pound sterling: Primarily related to Odyssey Group's net investment in its Newline syndicate, with the decrease in net asset exposure at December 31, 2022 compared to December 31, 2021 principally reflecting movements within Newline syndicate's insurance business.

Indian rupee: Primarily related to net investments in Fairfax India and Thomas Cook India, and the company's investments in associates (principally Quess and Digit). The decrease in net asset exposure at December 31, 2022 compared to December 31, 2021 principally reflected increased net investments in Fairfax India, partially offset by decreased net investment in Thomas Cook India and decreased net exposure in the company's investments in associates.

Capital Management

The company's capital management framework is designed to protect, in the following order, its policyholders, its bondholders and its preferred shareholders and then finally to optimize returns to common shareholders. Effective capital management includes measures designed to maintain capital above minimum regulatory levels, above levels required to satisfy issuer credit ratings and financial strength ratings requirements, and above internally determined and calculated risk management levels. Total capital, comprising total debt, shareholders' equity attributable to shareholders of Fairfax and non-controlling interests, was $28,960.7 at December 31, 2022 compared to $29,068.3 at December 31, 2021.

The company manages its capital based on the following financial measurements and ratios:

	Consolidated		Excluding consolidated non-insurance companies	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Holding company cash and investments (net of derivative obligations)	1,326.4	1,446.2	1,326.4	1,446.2
Borrowings – holding company	5,887.6	5,338.6	5,887.6	5,338.6
Borrowings – insurance and reinsurance companies	733.4	790.7	733.4	790.7
Borrowings – non-insurance companies	2,003.9	1,623.7	–	–
Total debt	8,624.9	7,753.0	6,621.0	6,129.3
Net debt[(1)]	7,298.5	6,306.8	5,294.6	4,683.1
Common shareholders' equity	15,340.7	15,049.6	15,340.7	15,049.6
Preferred stock	1,335.5	1,335.5	1,335.5	1,335.5
Non-controlling interests	3,659.6	4,930.2	1,969.2	2,931.4
Total equity	20,335.8	21,315.3	18,645.4	19,316.5
Net debt/total equity	35.9%	29.6%	28.4%	24.2%
Net debt/net total capital[(2)]	26.4%	22.8%	22.1%	19.5%
Total debt/total capital[(3)]	29.8%	26.7%	26.2%	24.1%
Interest coverage[(4)]	5.2x	10.6x	5.9x[(6)]	13.0x[(6)]
Interest and preferred share dividend distribution coverage[(5)]	4.5x	9.4x	4.9x[(6)]	11.1x[(6)]

(1) Net debt is calculated by the company as total debt less holding company cash and investments (net of derivative obligations).

(2) Net total capital is calculated by the company as the sum of total equity and net debt.

(3) Total capital is calculated by the company as the sum of total equity and total debt.

(4) Interest coverage is calculated by the company as earnings (loss) before income taxes and interest expense on borrowings, divided by interest expense on borrowings.

(5) Interest and preferred share dividend distribution coverage is calculated by the company as earnings (loss) before income taxes and interest expense on borrowings divided by the sum of interest expense on borrowings and preferred share dividend distributions adjusted to a pre-tax equivalent at the company's Canadian statutory income tax rate.

(6) Excludes earnings (loss) before income taxes, and interest expense on borrowings, of consolidated non-insurance companies.

The company's capital management objectives include maintaining sufficient liquid resources at the holding company to be able to pay interest on debt, dividends to preferred shareholders and all other holding company obligations. Accordingly, the company monitors its interest and preferred share dividend distribution coverage ratio calculated as described in footnote 5 of the table above.

Common shareholders' equity increased to $15,340.7 at December 31, 2022 from $15,049.6 at December 31, 2021, primarily reflecting net earnings attributable to shareholders of Fairfax ($1,147.2), partially offset by net unrealized foreign currency translation losses net of hedges ($399.1), changes in capitalization ($173.6, principally related to the acquisition of additional common shares of Allied World from non-controlling interests and the privatization of Recipe), purchases of subordinate voting shares for cancellation ($199.6) and for use in share-based payment awards ($148.2), and payments of common and preferred share dividends ($295.1). For further details on net changes in capitalization refer to note 16 and note 23. Changes in borrowings and non-controlling interests are described in note 15 and note 16 respectively.

The changes in borrowings and common shareholders' equity affected the company's leverage ratios as follows: The consolidated net debt/net total capital ratio increased to 26.4% at December 31, 2022 from 22.8% at December 31, 2021, primarily as a result of increased net debt. The increase in net debt was principally due to the issuance of $750.0 principal amount of 5.625% unsecured senior notes due in 2032 by the holding company and increased borrowings by non-insurance companies. The consolidated total debt/total capital ratio increased to 29.8% at December 31, 2022 from 26.7% at December 31, 2021, primarily as a result of increased total debt and

decreased total capital (reflecting decreased non-controlling interests, partially offset by increases in common shareholders' equity and total debt).

In the United States, the National Association of Insurance Commissioners ("NAIC") applies a model law and risk-based capital ("RBC") formula designed to help regulators identify property and casualty insurers that may be inadequately capitalized. Under the NAIC's requirements, an insurer must maintain total capital and surplus above a calculated threshold or face varying levels of regulatory action. The threshold is based on a formula that attempts to quantify the risk of a company's insurance and reinsurance, investment and other business activities. At December 31, 2022 Odyssey Group, Crum & Forster, Zenith National, Allied World and U.S. Run-off subsidiaries had capital and surplus that met or exceeded the regulatory minimum requirement of two times the authorized control level; each subsidiary had capital and surplus of at least 3.0 times (December 31, 2021 – 3.0 times) the authorized control level, except for TIG Insurance which had at least 2.0 times (December 31, 2021 – 2.3 times).

In Bermuda, insurance and reinsurance companies are regulated by the Bermuda Monetary Authority and are subject to the statutory requirements of the Bermuda Insurance Act 1978. There is a requirement to hold available statutory economic capital and surplus equal to or in excess of an enhanced capital and target capital level as determined under the Bermuda Solvency Capital Requirement model. The target capital level is measured as 120% of the enhanced capital requirements. At December 31, 2022 and 2021 Allied World's subsidiary was in compliance with Bermuda's regulatory requirements.

In Canada, property and casualty companies are regulated by the Office of the Superintendent of Financial Institutions on the basis of a minimum supervisory target of 150% of a minimum capital test ("MCT") formula. At December 31, 2022 Northbridge's subsidiaries had a weighted average MCT ratio of 241% (December 31, 2021 – 222%) of the minimum supervisory target.

Brit is subject to the solvency and regulatory capital requirements of the Prudential Regulatory Authority in the U.K. for its Lloyd's business and the Bermuda Monetary Authority for its Bermudan business. The management capital requirements for Brit are set using an internal model based on the prevailing regulatory framework in these jurisdictions. At December 31, 2022 Brit's total capital consisted of net tangible assets (total assets less any intangible assets and all liabilities), subordinated debt and contingent funding from its revolving credit facility and amounted to $2,052.7 (December 31, 2021 – $2,199.5). This represented a surplus of $709.5 (December 31, 2021 – $617.9) over Brit's management capital requirements.

In countries other than the U.S., Bermuda, Canada and the U.K. where the company operates, the company met or exceeded the applicable regulatory capital requirements at December 31, 2022 and 2021.

25. Segmented Information

The company is a holding company which, through its subsidiaries, is primarily engaged in property and casualty insurance and reinsurance and the associated investment management.

On April 1, 2022 the company revised its property and casualty insurance and reinsurance reporting segments to those described below and believes the revised reporting segments provide better insight into the company's evaluation of operating performance, insurance risk exposure and strategic opportunities for these operating companies. The operating companies comprising each new reporting segment are similar in insurance risks underwritten, distribution methods used, and customer type and geographic areas served. Comparative periods have been revised to align with the new property and casualty insurance and reinsurance reporting segments. There were no changes to the company's other reporting segments. Life insurance and Run-off, which did not change, is comprised of Eurolife and Run-off and represents an aggregation of operating segments which are not included in any other reporting segment. Transactions between reporting segments have not been eliminated from individual segment results as management considers those transactions in assessing the performance of each segment.

Property and Casualty Insurance and Reinsurance

North American Insurers – comprising Northbridge, Crum & Forster and Zenith National, this reporting segment provides a full range of commercial insurance in property, casualty, and specialty risks, principally within the United States and Canada.

Global Insurers and Reinsurers – comprising Allied World, Odyssey Group and Brit, this reporting segment provides diverse insurance and reinsurance coverage to its global customers including specialty insurance, treaty and facultative reinsurance and other risk management solutions.

International Insurers and Reinsurers – comprising a collection of international insurers, this reporting segment provides coverage for diverse insurance and reinsurance risks in local markets, primarily across Asia, Europe (excluding the U.K.) and Latin America. The International Insurers and Reinsurers reporting segment's business is underwritten by individual companies within Fairfax Asia, Fairfax Latin America and Fairfax Central and Eastern Europe, as well as Group Re, Bryte Insurance, and Eurolife's property and casualty insurance operations.

Life insurance and Run-off

This reporting segment is comprised of Eurolife's life insurance operations and U.S. Run-off, which includes TIG Insurance Company.

Non-insurance companies

This reporting segment is comprised as follows:

Restaurants and retail – Comprised principally of Recipe, Golf Town, Sporting Life and Toys "R" Us Canada (deconsolidated on August 19, 2021).

Fairfax India – Comprised of Fairfax India and its subsidiaries, which are principally NCML and Privi (deconsolidated on April 29, 2021).

Thomas Cook India – Comprised of Thomas Cook India and its subsidiary Sterling Resorts.

Other – Comprised primarily of AGT, Dexterra Group, Boat Rocker, Farmers Edge, Grivalia Hospitality (consolidated July 5, 2022), Pethealth (deconsolidated on October 31, 2022) and Mosaic Capital (deconsolidated on August 5, 2021).

On July 5, 2022 the company commenced consolidating Grivalia Hospitality in the Non-insurance companies reporting segment, and on October 31, 2022 the Crum & Forster Pet Insurance Group and Pethealth were deconsolidated from the North American Insurers and Non-insurance companies reporting segments respectively, pursuant to the transactions described in note 23. There were no other significant changes to the identifiable assets and liabilities by operating segment at December 31, 2022 compared to December 31, 2021.

Corporate and Other

Corporate and Other includes the parent entity (Fairfax Financial Holdings Limited), its subsidiary intermediate holding companies and Hamblin Watsa, an investment management company.

Sources of Earnings by Reporting Segment

Sources of earnings by reporting segment for the years ended December 31 were as follows:

2022

	Property and Casualty Insurance and Reinsurance								
	North American Insurers	Global Insurers and Reinsurers	International Insurers and Reinsurers	Total	Life insurance and Run-off	Non-insurance companies	Corporate and Other	Eliminations and adjustments	Consolidated
Gross premiums written									
External	7,600.9	16,995.6	2,965.2	27,561.7	350.9	–	–	–	27,912.6
Intercompany	49.6	101.0	213.4	364.0	–	–	–	(364.0)	–
	7,650.5	17,096.6	3,178.6	27,925.7	350.9	–	–	(364.0)	27,912.6
Net premiums written	6,457.6	13,506.3	1,963.1	21,927.0	344.7	–	–	–	22,271.7
Net premiums earned									
External	6,140.8	12,851.5	1,671.4	20,663.7	342.4	–	–	–	21,006.1
Intercompany	(33.0)	(124.6)	157.6	–	–	–	–	–	–
	6,107.8	12,726.9	1,829.0	20,663.7	342.4	–	–	–	21,006.1
Underwriting expenses[(1)]	(5,674.8)	(12,067.9)	(1,815.7)	(19,558.4)	(509.7)	–	–	0.5	(20,067.6)
Underwriting profit (loss)	433.0	659.0	13.3	1,105.3	(167.3)	–	–	0.5	938.5
Interest income	249.0	447.8	99.0	795.8	56.4	10.2	11.8	(0.7)	873.5
Dividends	32.0	54.9	16.0	102.9	12.3	24.6	0.6	–	140.4
Investment expenses	(47.0)	(89.4)	(16.2)	(152.6)	(13.1)	(8.2)	(2.8)	124.6	(52.1)
Interest and dividends	234.0	413.3	98.8	746.1	55.6	26.6	9.6	123.9	961.8
Share of profit of associates	239.8	429.3	52.4	721.5	56.4	134.0	102.8	–	1,014.7
Other									
Revenue	–	–	–	–	–	5,581.6	–	–	5,581.6
Expenses	–	–	–	–	–	(5,520.9)	–	–	(5,520.9)
	–	–	–	–	–	60.7	–	–	60.7
Operating income (loss)	906.8	1,501.6	164.5	2,572.9	(55.3)	221.3	112.4	124.4	2,975.7
Net gains (losses) on investments	(397.7)	(1,151.1)	(211.1)	(1,759.9)	(306.5)	71.4	261.1	–	(1,733.9)
Gain on sale and consolidation of insurance subsidiaries (note 23)	1,213.2	–	6.5	1,219.7	–	–	–	–	1,219.7
Interest expense	(5.7)	(51.1)	(3.0)	(59.8)	(13.2)	(122.8)	(257.2)	0.2	(452.8)
Corporate overhead and other	(39.8)	(98.9)	(12.1)	(150.8)	(1.4)	–	(19.9)	(124.6)	(296.7)
Pre-tax income (loss)	1,676.8	200.5	(55.2)	1,822.1	(376.4)	169.9	96.4	–	1,712.0
Provision for income taxes									(425.2)
Net earnings									1,286.8
Attributable to:									
Shareholders of Fairfax									1,147.2
Non-controlling interests									139.6
									1,286.8

(1) *Property and casualty insurance and reinsurance underwriting expenses for the year ended December 31, 2022 were comprised as shown below. Accident year underwriting expenses exclude the impact of favourable or adverse prior year claims reserve development.*

	Property and Casualty Insurance and Reinsurance			
	North American Insurers	Global Insurers and Reinsurers	International Insurers and Reinsurers	Total
Loss & LAE – accident year	3,733.4	8,715.7	1,207.3	13,656.4
Commissions	998.3	2,109.5	324.4	3,432.2
Other underwriting expenses	1,020.3	1,263.8	381.9	2,666.0
Underwriting expenses – accident year	5,752.0	12,089.0	1,913.6	19,754.6
Net favourable claims reserve development	(77.2)	(21.1)	(97.9)	(196.2)
Underwriting expenses – calendar year	5,674.8	12,067.9	1,815.7	19,558.4

2021

	Property and Casualty Insurance and Reinsurance								
	North American Insurers	Global Insurers and Reinsurers	International Insurers and Reinsurers	Total	Life insurance and Run-off	Non-insurance companies	Corporate and Other	Eliminations and adjustments	Consolidated
Gross premiums written									
External	6,544.6	14,567.6	2,683.8	23,796.0	114.2	–	–	–	23,910.2
Intercompany	34.2	93.8	169.5	297.5	358.1	–	–	(655.6)	–
	6,578.8	14,661.4	2,853.3	24,093.5	472.3	–	–	(655.6)	23,910.2
Net premiums written	5,319.7	10,755.5	1,734.2	17,809.4	468.7	–	–	–	18,278.1
Net premiums earned									
External	5,435.3	9,530.6	1,482.4	16,448.3	109.7	–	–	–	16,558.0
Intercompany	(410.5)	(78.8)	131.2	(358.1)	358.1	–	–	–	–
	5,024.8	9,451.8	1,613.6	16,090.2	467.8	–	–	–	16,558.0
Underwriting expenses[(2)]	(4,637.9)	(9,077.6)	(1,573.5)	(15,289.0)	(776.8)	–	–	0.3	(16,065.5)
Underwriting profit (loss)	386.9	374.2	40.1	801.2	(309.0)	–	–	0.3	492.5
Interest income	154.4	299.6	66.8	520.8	22.2	3.9	28.2	(6.7)	568.4
Dividends	23.9	37.2	11.6	72.7	7.8	28.5	(0.8)	–	108.2
Investment expenses	(43.2)	(100.1)	(8.5)	(151.8)	(10.7)	(127.1)	(2.8)	256.6	(35.8)
Interest and dividends	135.1	236.7	69.9	441.7	19.3	(94.7)	24.6	249.9	640.8
Share of profit of associates	103.6	184.8	35.7	324.1	16.8	22.3	38.8	–	402.0
Other									
Revenue	–	–	–	–	–	5,157.5	–	0.5	5,158.0
Expenses	–	–	–	–	–	(5,092.1)	–	5.2	(5,086.9)
	–	–	–	–	–	65.4	–	5.7	71.1
Operating income (loss)	625.6	795.7	145.7	1,567.0	(272.9)	(7.0)	63.4	255.9	1,606.4
Net gains on investments[(1)]	518.5	604.1	1,521.9	2,644.5	69.7	266.0	464.9	–	3,445.1
Gain on sale and consolidation of insurance subsidiaries (note 23)	–	68.7	64.8	133.5	–	–	130.5	–	264.0
Interest expense	(8.6)	(50.5)	(2.4)	(61.5)	(7.9)	(140.3)	(305.4)	1.2	(513.9)
Corporate overhead and other	(53.7)	(88.0)	(22.3)	(164.0)	(38.4)	–	50.0	(256.6)	(409.0)
Pre-tax income (loss)	1,081.8	1,330.0	1,707.7	4,119.5	(249.5)	118.7	403.4	0.5	4,392.6
Provision for income taxes									(726.0)
Net earnings									3,666.6
Attributable to:									
Shareholders of Fairfax									3,401.1
Non-controlling interests									265.5
									3,666.6

(1) *Includes net gains on deconsolidation of non-insurance subsidiaries primarily related to the deconsolidation of Fairfax India's subsidiary Privi of $94.9 and Toys "R" Us Canada of $85.7 as described in note 23.*

(2) *Property and casualty insurance and reinsurance underwriting expenses for the year ended December 31, 2021 were comprised as shown below. Accident year underwriting expenses exclude the impact of favourable or adverse prior year claims reserve development.*

	Property and Casualty Insurance and Reinsurance			
	North American Insurers	Global Insurers and Reinsurers	International Insurers and Reinsurers	Total
Loss & LAE – accident year	2,900.3	6,551.6	986.6	10,438.5
Commissions	913.6	1,571.0	289.6	2,774.2
Other underwriting expenses	927.7	1,156.4	347.8	2,431.9
Underwriting expenses – accident year	4,741.6	9,279.0	1,624.0	15,644.6
Net favourable claims reserve development	(103.7)	(201.4)	(50.5)	(355.6)
Underwriting expenses – calendar year	4,637.9	9,077.6	1,573.5	15,289.0

Investments in Associates, Additions to Goodwill, Segment Assets and Segment Liabilities

Investments in associates, segment assets and segment liabilities at December 31, and additions to goodwill for the years then ended, by reporting segment, were as follows:

	Investments in associates		Additions to goodwill		Segment assets		Segment liabilities	
	2022	2021	2022	2021	2022	2021	2022	2021
Property and Casualty Insurance and Reinsurance								
North American Insurers	1,217.7	801.5	–	–	18,664.9	17,418.7	12,890.0	11,551.5
Global Insurers and Reinsurers	2,893.3	2,168.7	–	16.4	51,634.9	46,849.3	39,086.8	34,266.7
International Insurers and Reinsurers	592.0	415.2	–	–	9,547.2	9,616.9	5,631.9	5,700.7
	4,703.0	3,385.4	–	16.4	79,847.0	73,884.9	57,608.7	51,518.9
Life insurance and Run-off	348.1	272.6	0.4	–	6,087.7	6,669.1	5,289.5	5,781.1
Non-insurance companies	1,378.5	1,379.7	151.6	44.3	8,611.4	7,856.4	4,820.6	4,075.1
Corporate and Other and eliminations and adjustments	1,004.3	1,066.3	–	–	(2,421.0)	(1,765.0)	4,070.5	3,955.0
Consolidated	7,433.9	6,104.0	152.0	60.7	92,125.1	86,645.4	71,789.3	65,330.1

Product Line

Net premiums earned by product line for the years ended December 31 were as follows:

	Property		Casualty		Specialty[1]		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Property and Casualty Insurance and Reinsurance – net premiums earned								
North American Insurers	1,379.3	1,209.6	4,284.3	3,400.2	444.2	415.0	6,107.8	5,024.8
Global Insurers and Reinsurers	4,895.5	3,876.9	6,866.2	4,856.8	965.2	718.1	12,726.9	9,451.8
International Insurers and Reinsurers	919.9	834.9	615.1	544.3	294.0	234.4	1,829.0	1,613.6
	7,194.7	5,921.4	11,765.6	8,801.3	1,703.4	1,367.5	20,663.7	16,090.2
Life insurance and Run-off[1]	–	8.2	0.5	348.8	341.9	110.8	342.4	467.8
Consolidated net premiums earned	7,194.7	5,929.6	11,766.1	9,150.1	2,045.3	1,478.3	21,006.1	16,558.0
Interest and dividends							961.8	640.8
Share of profit of associates							1,014.7	402.0
Net gains (losses) on investments							(1,733.9)	3,445.1
Gain on sale and consolidation of insurance subsidiaries (note 23)							1,219.7	264.0
Other revenue							5,581.6	5,158.0
Consolidated income							28,050.0	26,467.9
Distribution of net premiums earned	34.3%	35.8%	56.0%	55.3%	9.7%	8.9%	100.0%	100.0%

(1) Includes Eurolife's life insurance operations since Eurolife's consolidation on July 14, 2021, as described in note 23.

Geographic Region

Net premiums earned by geographic region for the years ended December 31 were as follows:

	Canada		United States		Asia[1]		International[2]		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Property and Casualty Insurance and Reinsurance – net premiums earned										
North American Insurers	1,914.1	1,784.9	4,157.5	3,222.1	1.4	1.2	34.8	16.6	6,107.8	5,024.8
Global Insurers and Reinsurers	378.8	293.1	9,337.3	6,671.4	878.1	806.9	2,132.7	1,680.4	12,726.9	9,451.8
International Insurers and Reinsurers	0.6	0.2	122.4	81.8	551.9	438.9	1,154.1	1,092.7	1,829.0	1,613.6
	2,293.5	2,078.2	13,617.2	9,975.3	1,431.4	1,247.0	3,321.6	2,789.7	20,663.7	16,090.2
Life insurance and Run-off[3]	–	–	0.5	358.1	–	–	341.9	109.7	342.4	467.8
Consolidated net premiums earned	2,293.5	2,078.2	13,617.7	10,333.4	1,431.4	1,247.0	3,663.5	2,899.4	21,006.1	16,558.0
Interest and dividends									961.8	640.8
Share of profit of associates									1,014.7	402.0
Net gains (losses) on investments									(1,733.9)	3,445.1
Gain on sale and consolidation of insurance subsidiaries (note 23)									1,219.7	264.0
Other revenue									5,581.6	5,158.0
Consolidated income									28,050.0	26,467.9
Distribution of net premiums earned	10.9%	12.6%	64.9%	62.4%	6.8%	7.5%	17.4%	17.5%	100.0%	100.0%

(1) The Asia geographic segment is primarily comprised of countries located throughout Asia, including China, Japan, India, Sri Lanka, Malaysia, Singapore, Indonesia and South Korea, and the Middle East.

(2) The International geographic segment is primarily comprised of countries located in South America, Europe, Africa and Oceania.

(3) Includes Eurolife's life insurance operations since Eurolife's consolidation on July 14, 2021, as described in note 23.

Non-insurance companies

Revenue and expenses of the Non-insurance companies reporting segment were comprised as follows for the years ended December 31:

	Restaurants and retail		Fairfax India[1]		Thomas Cook India[2]		Other[3]		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue	1,710.3	1,803.8	216.7	228.2	611.0	249.4	3,043.6	2,876.1	5,581.6	5,157.5
Expenses	(1,582.2)	(1,724.8)	(208.1)	(206.9)	(600.8)	(293.4)	(3,129.8)	(2,867.0)	(5,520.9)	(5,092.1)
Pre-tax income (loss) before interest expense and other[4]	128.1	79.0	8.6	21.3	10.2	(44.0)	(86.2)	9.1	60.7	65.4
Interest and dividends	9.9	7.5	21.4	(102.2)	–	(0.1)	(4.7)	0.1	26.6	(94.7)
Share of profit (loss) of associates	(0.1)	–	132.0	20.2	0.3	(0.1)	1.8	2.2	134.0	22.3
Operating income (loss)	137.9	86.5	162.0	(60.7)	10.5	(44.2)	(89.1)	11.4	221.3	(7.0)

(1) These results differ from those published by Fairfax India primarily due to Fairfax India's application of investment entity accounting under IFRS.

(2) These results differ from those published by Thomas Cook India primarily due to differences between IFRS and Ind AS, and acquisition accounting adjustments.

(3) Included in Expenses is a non-cash goodwill impairment charge on Farmers Edge of $133.4 recognized in 2022.

(4) Excludes interest and dividends, share of profit (loss) of associates and net gains (losses) on investments.

Segmented Balance Sheet

The company's segmented balance sheets as at December 31, 2022 and 2021 present the assets, liabilities and non-controlling interests of each reporting segment in accordance with the company's IFRS accounting policies and includes, where applicable, acquisition accounting adjustments principally related to goodwill and intangible assets which arose on initial acquisition of the subsidiaries or on a subsequent step acquisition. Certain of the company's subsidiaries hold equity interests in other Fairfax subsidiaries ("affiliates") which are carried at cost. In the table below, the company's three property and casualty insurance and reinsurance reporting segments have been presented in aggregate, and affiliated insurance and reinsurance balances are not shown separately and are eliminated in "Corporate and eliminations".

	December 31, 2022					December 31, 2021				
	Property and casualty insurance and reinsurance companies	Life insurance and Run-off	Non-insurance companies	Corporate and eliminations[4]	Consolidated	Property and casualty insurance and reinsurance companies	Life insurance and Run-off	Non-insurance companies	Corporate and eliminations[4]	Consolidated
Assets										
Holding company cash and investments	316.6	–	–	1,029.2	1,345.8	604.5	–	–	873.8	1,478.3
Insurance contract receivables	8,310.9	28.2	–	(431.6)	7,907.5	7,215.5	7.8	–	(340.1)	6,883.2
Portfolio investments[1]	49,038.8	4,275.4	2,119.3	(1,110.6)	54,322.9	45,061.8	4,963.9	2,252.8	(581.1)	51,697.4
Deferred premium acquisition costs	2,201.3	7.5	–	(38.5)	2,170.3	1,950.6	3.8	–	(30.3)	1,924.1
Recoverable from reinsurers	14,097.9	517.5	–	(1,499.6)	13,115.8	13,060.3	457.6	–	(1,427.4)	12,090.5
Deferred income tax assets	337.3	25.6	54.5	74.7	492.1	268.2	29.0	66.9	158.3	522.4
Goodwill and intangible assets	3,396.8	7.5	2,284.4	0.3	5,689.0	3,579.5	7.5	2,341.2	–	5,928.2
Due from affiliates	206.3	364.1	–	(570.4)	–	231.3	360.2	–	(591.5)	–
Other assets	1,774.0	832.6	4,153.2	321.9	7,081.7	1,746.0	810.0	3,195.5	369.8	6,121.3
Investments in affiliates[2]	167.1	29.3	–	(196.4)	–	167.2	29.3	–	(196.5)	–
Total assets	79,847.0	6,087.7	8,611.4	(2,421.0)	92,125.1	73,884.9	6,669.1	7,856.4	(1,765.0)	86,645.4
Liabilities										
Accounts payable and accrued liabilities	2,304.9	263.1	2,430.7	216.5	5,215.2	2,149.9	233.4	2,077.4	524.7	4,985.4
Derivative obligations	113.5	–	58.2	19.3	191.0	72.5	–	47.9	32.5	152.9
Due to affiliates	16.5	0.4	82.4	(99.3)	–	28.8	0.2	135.1	(164.1)	–
Deferred income tax liabilities	225.0	18.5	252.4	0.8	496.7	322.2	72.9	198.5	5.2	598.8
Insurance contract payables	4,839.7	688.4	–	(466.2)	5,061.9	4,208.6	652.0	–	(367.1)	4,493.5
Provision for losses and loss adjustment expenses[3]	37,531.7	4,300.9	–	(1,343.0)	40,489.6	33,381.4	4,806.1	–	(1,295.2)	36,892.3
Provision for unearned premiums[3]	11,844.0	18.2	–	(152.2)	11,710.0	10,564.8	16.5	–	(127.1)	10,454.2
Borrowings	733.4	–	1,996.9	5,894.6	8,624.9	790.7	–	1,616.2	5,346.1	7,753.0
Total liabilities	57,608.7	5,289.5	4,820.6	4,070.5	71,789.3	51,518.9	5,781.1	4,075.1	3,955.0	65,330.1
Equity										
Shareholders' equity attributable to shareholders of Fairfax	20,269.1	798.2	2,100.4	(6,491.5)	16,676.2	19,778.9	888.0	1,782.5	(6,064.3)	16,385.1
Non-controlling interests	1,969.2	–	1,690.4	–	3,659.6	2,587.1	–	1,998.8	344.3	4,930.2
Total equity	22,238.3	798.2	3,790.8	(6,491.5)	20,335.8	22,366.0	888.0	3,781.3	(5,720.0)	21,315.3
Total liabilities and total equity	79,847.0	6,087.7	8,611.4	(2,421.0)	92,125.1	73,884.9	6,669.1	7,856.4	(1,765.0)	86,645.4

(1) *Includes intercompany investments in Fairfax non-insurance subsidiaries carried at cost that are eliminated on consolidation.*

(2) *Intercompany investments in Fairfax insurance and reinsurance subsidiaries carried at cost that are eliminated on consolidation.*

(3) *Included in insurance contract liabilities on the consolidated balance sheet.*

(4) *Corporate and eliminations includes the Fairfax holding company, subsidiary intermediate holding companies, and consolidating and eliminating entries. The most significant of those entries are the elimination of intercompany reinsurance provided by Group Re, and reinsurance provided by Odyssey Group and Allied World to affiliated primary insurers.*

26. Expenses

Losses on claims, net, operating expenses and other expenses for the years ended December 31 were comprised as follows:

	2022			2021		
	Insurance and reinsurance companies[1]	Non-insurance companies	Total	Insurance and reinsurance companies[1]	Non-insurance companies	Total
Losses and loss adjustment expenses, property and casualty	13,169.1	–	13,169.1	10,272.9	–	10,272.9
Provisions and claims, Eurolife	251.1	–	251.1	81.0	–	81.0
Cost of sales	–	3,349.4	3,349.4	–	2,987.5	2,987.5
Wages and salaries	1,580.8	877.5	2,458.3	1,547.1	761.3	2,308.4
Depreciation, amortization and impairment charges	233.2	450.4	683.6	291.0	639.4	930.4
Employee benefits	381.3	125.9	507.2	345.3	116.9	462.2
Premium taxes	306.8	–	306.8	285.9	–	285.9
Information technology costs	254.7	44.5	299.2	216.3	40.7	257.0
Audit, legal and tax professional fees	189.1	53.7	242.8	159.7	43.4	203.1
Repairs, maintenance and utilities	14.4	163.9	178.3	13.2	144.2	157.4
Shipping and delivery	1.3	152.8	154.1	1.2	120.0	121.2
Share-based payments to directors and employees	131.5	20.4	151.9	118.2	18.3	136.5
Marketing costs	38.9	76.6	115.5	33.4	70.1	103.5
Administrative expense and other	357.2	205.8	563.0	321.4	145.1	466.5
Losses on claims, net, operating expenses and other expenses[2][3]	16,909.4	5,520.9	22,430.3	13,686.6	5,086.9	18,773.5
Commissions, net (note 9)[4]	3,454.9	–	3,454.9	2,787.9	–	2,787.9
Interest expense (note 15)[4]	330.0	122.8	452.8	373.6	140.3	513.9
	20,694.3	5,643.7	26,338.0	16,848.1	5,227.2	22,075.3

(1) Includes Life insurance and Run-off and Corporate and Other.

(2) Expenses of the insurance and reinsurance companies, excluding commissions, net and interest expense, are included in losses on claims, net and operating expenses in the consolidated statement of earnings.

(3) Expenses of the non-insurance companies, excluding commissions, net and interest expense, are included in other expenses in the consolidated statement of earnings.

(4) Presented as separate lines in the consolidated statement of earnings.

27. Supplementary Cash Flow Information

Cash, cash equivalents and bank overdrafts as presented in the consolidated statements of cash flows excludes restricted cash and cash equivalents that are amounts primarily required to be maintained on deposit with various regulatory authorities to support the operations of the property and casualty insurance and reinsurance subsidiaries. Cash equivalents are comprised of treasury bills and other eligible bills.

	December 31, 2022								
	Unrestricted cash and cash equivalents included in the consolidated statement of cash flows			Restricted cash and cash equivalents			Cash and cash equivalents included on the consolidated balance sheet		
	Cash	Cash equivalents	Total	Cash	Cash equivalents	Total	Cash	Cash equivalents	Total
Holding company cash and investments	72.7	479.4	552.1	–	–	–	72.7	479.4	552.1
Holding company assets pledged for derivative obligations	–	40.6	40.6	–	–	–	–	40.6	40.6
Subsidiary cash and short term investments	3,243.3	2,105.6	5,348.9	500.8	353.6	854.4	3,744.1	2,459.2	6,203.3
Fairfax India	34.5	143.5	178.0	0.8	6.0	6.8	35.3	149.5	184.8
	3,350.5	2,769.1	6,119.6	501.6	359.6	861.2	3,852.1	3,128.7	6,980.8

	December 31, 2021								
	Unrestricted cash and cash equivalents included in the consolidated statement of cash flows			Restricted cash and cash equivalents			Cash and cash equivalents included on the consolidated balance sheet		
	Cash	Cash equivalents	Total	Cash	Cash equivalents	Total	Cash	Cash equivalents	Total
Holding company cash and investments	129.9	336.0	465.9	–	–	–	129.9	336.0	465.9
Holding company assets pledged for derivative obligations	–	46.8	46.8	–	–	–	–	46.8	46.8
Subsidiary cash and short term investments	5,259.2	5,777.6	11,036.8	484.6	761.8	1,246.4	5,743.8	6,539.4	12,283.2
Subsidiary assets pledged for derivative obligations	–	74.0	74.0	–	–	–	–	74.0	74.0
Fairfax India	35.1	26.8	61.9	1.6	13.0	14.6	36.7	39.8	76.5
	5,424.2	6,261.2	11,685.4	486.2	774.8	1,261.0	5,910.4	7,036.0	12,946.4

Details of certain cash flows included in the consolidated statement of cash flows for the years ended December 31 were as follows:

	2022	2021
Net (purchases) sales of investments classified at FVTPL		
Short term investments	6,352.5	(767.1)
Bonds	(16,016.2)	2,545.7
Preferred stocks	(293.2)	(37.3)
Common stocks	(63.6)	477.2
Net derivatives and other invested assets	380.3	395.9
	(9,640.2)	2,614.4
Changes in operating assets and liabilities		
Net decrease (increase) in restricted cash and cash equivalents	393.7	(472.6)
Provision for losses and loss adjustment expenses	4,530.1	3,692.0
Provision for unearned premiums	1,455.3	2,152.2
Provision for life policy benefits	(142.4)	(167.9)
Insurance contract receivables	(1,134.9)	(1,152.9)
Insurance contract payables	625.8	1,079.8
Recoverable from reinsurers	(1,257.9)	(1,580.0)
Other receivables	(349.8)	(96.7)
Accounts payable and accrued liabilities	338.2	291.1
Other	(638.0)	(758.1)
	3,820.1	2,986.9
Net interest and dividends received		
Interest and dividends received	1,030.8	865.7
Interest paid on borrowings	(360.5)	(366.7)
Interest paid on lease liabilities	(48.1)	(54.8)
	622.2	444.2
Net income taxes paid	(416.4)	(288.7)

28. Related Party Transactions

Management and Director Compensation

Compensation for the company's key management team for the years ended December 31 determined in accordance with the company's IFRS accounting policies was as follows:

	2022	2021
Salaries and other short-term employee benefits	10.2	10.8
Share-based payments	5.7	4.7
	15.9	15.5

Compensation for the company's Board of Directors for the years ended December 31 was as follows:

	2022	2021
Retainers and fees	1.7	1.5
Share-based payments	0.3	0.4
	2.0	1.9

Transactions with subsidiaries

Thomas Cook India conversion of preferred shares

During 2022 the company converted its preferred shares in Thomas Cook India to common shares, which increased the company's ownership interest by 6.6%. See note 16.

Fairfax India Performance Fee Receivable

On December 31, 2022 the holding company had a performance fee receivable of $41.5 pursuant to its investment advisory agreement with Fairfax India for the period from January 1, 2021 to December 31, 2023. This intercompany

receivable is eliminated in the company's consolidated financial reporting. Under the investment advisory agreement, if a performance fee is payable for the period ending on December 31, 2023, the performance fee will be payable in cash, or at Fairfax's option, in subordinate voting shares of Fairfax India. If Fairfax elects to have the performance fee paid in subordinate voting shares, such election must be made no later than December 15, 2023.

29. Subsidiaries

The company's principal operating subsidiaries are presented in the tables below. During 2022 the company consolidated Grivalia Hospitality as described in note 23. Excluded from these tables are intermediate holding companies of investments in subsidiaries and intercompany balances that are eliminated on consolidation.

December 31, 2022	Domicile	Fairfax's ownership (100% other than as shown below)
Property and casualty insurance and reinsurance		
North American Insurers		
Northbridge Financial Corporation (Northbridge)	Canada	
Crum & Forster Holdings Corp. (Crum & Forster)	United States	
Zenith National Insurance Corp. (Zenith National)	United States	
Global Insurers and Reinsurers		
Odyssey Group Holdings, Inc. (Odyssey Group)	United States	90.0%
Brit Limited (Brit)	United Kingdom	86.2%
Allied World Assurance Company Holdings, Ltd (Allied World)	Bermuda	82.9%
International Insurers and Reinsurers		
Fairfax Central and Eastern Europe, *which consists of:*		
Polskie Towarzystwo Reasekuracji Spólka Akcyjna (Polish Re)	Poland	
Colonnade Insurance S.A. (Colonnade Insurance)	Luxembourg	
FFH Ukraine Holdings (Fairfax Ukraine), *which consists of:*	Ukraine	70.0%
ARX Insurance Company (ARX Insurance)	Ukraine	
Private Joint Stock Company Insurance Company Universalna (Universalna)	Ukraine	
Fairfax Latin America, *which consists of:*		
Fairfax Brasil Seguros Corporativos S.A. (Fairfax Brasil)	Brazil	
La Meridional Compañía Argentina de Seguros S.A. (La Meridional Argentina)	Argentina	
SBS Seguros Colombia S.A. (Southbridge Colombia)	Colombia	
SBI Seguros Uruguay S.A. (Southbridge Uruguay)	Uruguay	
Southbridge Compañía de Seguros Generales S.A. (Southbridge Chile)	Chile	
Bryte Insurance Company Ltd (Bryte Insurance)	South Africa	
Eurolife FFH General Insurance Single Member S.A. (Eurolife General)	Greece	80.0%
Group Re, *which underwrites business in:*		
CRC Reinsurance Limited (CRC Re)	Barbados	
Wentworth Insurance Company Ltd. (Wentworth)	Barbados	
Connemara Reinsurance Company Ltd. (Connemara)	Barbados	
Fairfax Asia, *which consists of:*		
Falcon Insurance Company (Hong Kong) Limited (Falcon)	Hong Kong	
The Pacific Insurance Berhad (Pacific Insurance)	Malaysia	85.0%
PT Asuransi Multi Artha Guna Tbk (AMAG Insurance)	Indonesia	80.3%
Fairfirst Insurance Limited (Fairfirst Insurance)	Sri Lanka	78.0%
Singapore Reinsurance Corporation Limited (Singapore Re)	Singapore	
Life insurance and Run-off		
Eurolife FFH Life Insurance Group Holdings S.A. (Eurolife)	Greece	80.0%
Run-off*, which is principally comprised of:*		
U.S. Run-off: TIG Insurance Company (TIG Insurance)	United States	
Investment management		
Hamblin Watsa Investment Counsel Ltd. (Hamblin Watsa)	Canada	

December 31, 2022	Domicile	Fairfax's ownership	Primary business
Non-insurance companies			
Restaurants and retail			
Recipe Unlimited Corporation (Recipe)	Canada	75.7%	Franchisor, owner and operator of restaurants
Sporting Life Group Limited, *which owns:*	Canada	88.5%	Invests in retail businesses
100.0% of Sporting Life Inc. (Sporting Life)	Canada	88.5%	Retailer of sporting goods and sports apparel
100.0% of Golf Town Limited (Golf Town)	Canada	88.5%	Retailer of golf equipment, apparel and accessories
Fairfax India			
Fairfax India Holdings Corporation (Fairfax India)	Canada	34.7%(1)	Invests in public and private Indian businesses
Thomas Cook India			
Thomas Cook (India) Limited (Thomas Cook India), *which owns:*	India	73.3%	Provider of integrated travel and travel-related financial services
100.0% of Sterling Holiday Resorts Limited (Sterling Resorts)	India	73.3%	Owner and operator of holiday resorts
Other			
AGT Food and Ingredients Inc. (AGT)	Canada	59.6%	Originator, processor and distributor of value-added pulses and staple foods
Dexterra Group Inc. (Dexterra Group)	Canada	48.7%(2)	Provider of Infrastructure support services
Boat Rocker Media Inc. (Boat Rocker)	Canada	44.9%(3)	Entertainment content creator, producer and distributor
Farmers Edge Inc. (Farmers Edge)	Canada	61.3%	Provider of advanced digital tools for agriculture
Grivalia Hospitality S.A. (Grivalia Hospitality)	Greece	78.4%	Hospitality real estate investor, developer and manager

(1) The company owns multiple voting shares and subordinate voting shares of Fairfax India that give it voting rights of 94.4%.

(2) The company has de facto voting control of Dexterra Group as its largest equity and voting shareholder.

(3) The company has voting rights of 56.1% due to Boat Rocker's issuance of non-voting shares to non-controlling interests.

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Management's Discussion and Analysis of Financial Condition and Results of Operations
(as of March 10, 2023)

(Figures and amounts are in US$ and $ millions except per share amounts and as otherwise indicated. Figures may not add due to rounding.)

Notes to Management's Discussion and Analysis of Financial Condition and Results of Operations

(1) Readers of the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should review the entire Annual Report for additional commentary and information. Additional information about the company, including its annual information form, can be found on SEDAR at *www.sedar.com*. Additional information can also be accessed from the company's website *www.fairfax.ca*.

(2) In this MD&A, Life Insurance and Run-off is included in references to the insurance and reinsurance companies and excluded in references to the property and casualty insurance and reinsurance companies.

(3) Management analyzes and assesses the underlying insurance and reinsurance companies, and the financial position of the consolidated company, in various ways. Certain of the measures and ratios provided in this Annual Report, which have been used consistently and disclosed regularly in the company's Annual Reports and interim financial reporting, do not have a prescribed meaning under International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and may not be comparable to similar measures presented by other companies. Please refer to the Glossary of Non-GAAP and Other Financial Measures at the end of this MD&A for details of the company's measures and ratios, which include:

Supplementary Financial Measures – Gross premiums written, net premiums written, combined ratio, loss ratio, expense ratio, commission expense ratio, underwriting expense ratio, accident year loss ratio, accident year combined ratio, combined ratio points, float, average float, annual benefit (cost) of float, book value per basic share, increase (decrease) in book value per basic share (with and without adjustment for the $10.00 per common share dividend), long equity exposures, and long equity exposures and financial effects.

Capital Management Measures – Net debt, net total capital, total capital, net debt divided by total equity, net debt divided by net total capital and total debt divided by total capital, interest coverage ratio and interest and preferred share dividend distribution coverage ratio. The company presents all of these measures on a consolidated basis and also on a consolidated basis excluding consolidated non-insurance companies.

Total of Segments Measures – Underwriting profit (loss), corporate overhead, operating income (loss), and various supplementary financial measures presented for the property and casualty insurance and reinsurance segments in aggregate.

Non-GAAP Financial Measures – Excess (deficiency) of fair value over carrying value, cash provided by (used in) operating activities (excluding operating cash flow activity related to investments recorded at FVTPL), investments in Fairfax insurance and reinsurance affiliates and investments in Fairfax affiliates.

Overview of Consolidated Performance

The analysis that follows presents the company's five year track record in a format that the company has consistently used in its external reporting. This analysis is consistent with what management and the company's Board of Directors use when assessing performance and growth in the various businesses, and is believed to help readers understand the business and the value of Fairfax.

Five year Financial Profile

Net earnings attributable to shareholders of Fairfax

Net earnings attributable to shareholders of Fairfax of $1,147.2 in 2022 reflected a record year for both underwriting profit and operating income from the property and casualty insurance and reinsurance operations. This is immediately following 2021 which produced record net earnings attributable to shareholders of Fairfax of $3,401.1, principally due to net gains on investments of $3,445.1. The decrease in net earnings attributable to shareholders of Fairfax in 2022 principally reflected net losses on investments of $1,733.9 that were primarily comprised of mark-to-market losses on bonds due to the rising interest rate environment, the majority of which are expected to

reverse over the short term. Key drivers of Fairfax's consolidated performance in 2022 compared to 2021, an analysis of Fairfax's five year performance, an overview of the current insurance environment and the company's strong financial position are discussed below.

Property and Casualty Insurance and Reinsurance

Underwriting Performance

					Catastrophe losses[1]		Net favourable prior year reserve development	
	Gross premiums written, third party	Net premiums written	Underwriting profit	Combined ratios	Losses	Combined ratio impact	Favourable reserve development	Combined ratio impact
2018	15,377.6	12,017.5	318.3	97.3%	752.3	6.5%	789.0	6.8%
2019	16,904.8	13,261.1	394.5	96.9%	497.8	4.0%	479.8	3.8%
2020	18,979.1	14,717.7	309.0	97.8%	1,313.0	9.5%	454.9	3.3%
2021	23,796.0	17,809.4	801.2	95.0%	1,203.2	7.5%	355.6	2.2%
2022	27,561.7	21,927.0	1,105.3	94.7%	1,255.7	6.1%	196.2	0.9%
% change 2022 over 2021	15.8%	23.1%						
% change 2022 over 2018	79.2%	82.5%						

(1) Includes COVID-19 losses of $55.1 and $668.7 in 2021 and 2020.

- On April 1, 2022 the company revised its property and casualty insurance and reinsurance reporting segments to those described in note 25 (Segmented Information) to the consolidated financial statements for the year ended December 31, 2022 and believes the revised reporting segments provide better insight into the company's evaluation of operating performance, insurance risk exposure and strategic opportunities for these operating companies. The operating companies comprising each new reporting segment are similar in insurance risks underwritten, distribution methods used, and customer type and geographic areas served. Comparative periods have been revised to align with the new property and casualty insurance and reinsurance reporting segments. There were no changes to the company's other reporting segments.

- The company continued to achieve significant growth in written premiums with gross premiums written up by 15.8% or $3,765.7, and net premiums written up by 23.1% or $4,117.6, driven principally by new business and continued incremental rate increases, almost entirely organically. All major insurance operating companies continued to achieve rate increases in 2022, except Zenith National, which continued to experience pricing pressures on its workers' compensation business.

- The company's net premiums written to statutory surplus (total equity) in 2022 increased with some companies now writing in excess of 1.0 times. Crum & Forster was at 1.8 times and Northbridge was at 1.2 times, compared to Allied World at 1.0 times and Odyssey Group at 1.1 times, reflecting the formers' ability to further expand in the favourable market conditions that continue to prevail in many of their markets, particularly in North America.

- The company's property and casualty insurance and reinsurance operations reported record underwriting profit in 2022 of $1,105.3 (an increase of 38.0%) and a 94.7% combined ratio, despite significant catastrophe losses of $1,255.7 or 6.1 combined ratio points, exceeding the previous record in 2021 that produced a combined ratio of 95.0% and an underwriting profit of $801.2 which absorbed catastrophe and COVID-19 losses of $1,203.2 or 7.5 combined ratio points. The impact of the increased frequency and severity experienced in catastrophe losses during 2022, reflected in the losses from Hurricane Ian, the France hailstorms, and the Australian floods, were mitigated by the company's property and casualty insurance and reinsurance operations' strong underwriting and risk management disciplines, diversification provided by the company's decentralized organization, and the significant growth achieved in net premiums earned. The continued strong underwriting performance by reporting segment was as follows:

	2022		2021	
	Combined ratio	Underwriting profit	Combined ratio	Underwriting profit
North American Insurers	**92.9%**	**433.0**	**92.3%**	**386.9**
Northbridge	89.4%	204.8	88.8%	202.2
Crum & Forster	94.5%	189.5	95.9%	101.9
Zenith National	94.7%	38.7	88.4%	82.8
Global Insurers and Reinsurers	**94.8%**	**659.0**	**96.0%**	**374.2**
Allied World	90.7%	388.7	93.4%	226.4
Odyssey Group	96.3%	209.0	97.8%	92.2
Brit	97.9%	61.3	96.8%	55.6
International Insurers and Reinsurers	**99.3%**	**13.3**	**97.5%**	**40.1**
Property and casualty insurance and reinsurance	**94.7%**	**1,105.3**	**95.0%**	**801.2**

- Despite significant increases in catastrophe losses in the recent three years, including the impact from the COVID-19 losses in 2020, the company has been able to achieve strong underwriting profits in each of the last five years. The company's results in 2022 and 2021 reflected the diversification provided by the company's decentralized organization, and the significant growth achieved in net premiums earned of 25.6% in 2022 compared to 2021, where the increased premium base has expanded significantly enabling the company to absorb significant catastrophe losses in those periods within underlying underwriting profit.
- The property and casualty insurance and reinsurance operations continued to experience net favourable prior year reserve development, with a benefit of $196.2 or 0.9 combined ratio points in 2022. All of the company's major property and casualty insurance and reinsurance companies had net favourable prior year reserve development in 2022 with the exception of Allied World, which experienced net adverse prior year reserve development primarily related to late 2021 catastrophe losses, partially offset by net favourable prior year reserve development on its non-catastrophe U.S. property lines.
- Run-off reported net adverse prior year reserve development of $147.2 principally related to exposures in asbestos, pollution and other hazard reserves. For details on the Life Insurance and Run-off segment, refer to the Components of Net Earnings section of this MD&A under the heading "Life Insurance and Run-off".
- On January 1, 2023 the company adopted the new accounting standard for insurance contracts ("IFRS 17") which will first be presented in the company's consolidated financial reporting in the first quarter of 2023, with comparative periods restated. For details refer to the Future Accounting Changes section of this MD&A.

Gain on sale and consolidation of insurance subsidiaries

- Gain on sale and consolidation of insurance subsidiaries in the consolidated statement of earnings in 2022 principally reflected a pre-tax gain of $1.2 billion (after-tax gain of $933.9) related to the company's sale of its interests in the Crum & Forster Pet Insurance Group and Pethealth, including all of their worldwide operations, to Independence Pet Group and certain of its affiliates, which are majority owned by JAB Holding Company, for $1.4 billion, paid as $1.15 billion in cash and $250.0 in debentures.

Insurance Environment

Property and casualty insurers once again saw significant growth in premium volume in 2022 resulting from continued favourable underwriting conditions and rate increases across most lines of business. This year again reinforced that insurers are in the risk business with the industry absorbing natural catastrophe losses in excess of $130 billion. Despite improving underwriting conditions, the property and casualty insurance and reinsurance industry is expected to report a modest underwriting loss, weighed down by the impact of elevated catastrophe losses stemming from traditional and secondary perils and the growing impact of inflationary pressures, most notably for property and motor claims, both on underlying costs and social inflation, and a return to more normal economic activity following extensive government mandated shutdowns in 2020 and 2021.

Favourable underwriting conditions are expected to continue into 2023, albeit more modestly after very healthy rate increases in both 2021 and 2022. As inflationary pressures continue to impact all components of the economy, the risks associated with climate change become more prominent with above average catastrophe losses and reinsurance costs increasing significantly, and insurers keeping prices in line with loss costs. Although the industry is well capitalized from an economic capital standpoint heading into 2023, the industry is feeling the effects of

significant increases in interest rates during 2022, with many insurers' shareholders' equity decreasing well in excess of 10%. Should interest rates remain higher for longer, the unrealized investment losses will take many years to unwind and could prolong the hard market for a few years. In addition to the impact of rising interest rates, volatility in equity markets throughout 2022 negatively impacted total investment returns.

The reinsurance sector continued to benefit from the hard underlying insurance market in 2022 with most lines of business achieving significant rate increases. Following the landfall of Hurricane Ian, in 2023 the reinsurance market sustained its most challenging January 1st renewal season since 2001, following the 9/11 attacks. All lines of business were impacted, however property, especially catastrophe exposed business, was faced with the triple impact of increased retentions, material rate increases and tightening of terms and conditions, which included more exclusionary language. In the casualty lines of business where rates remained firm albeit moderating compared to 2021, social inflationary pressures were again front and centre as well as continued tightening of terms and conditions, particularly related to infectious diseases and cyber risks. Considering the conflict in Ukraine which quickly followed the fallout from COVID-19, reinsurance capacity for specialty lines was also very challenging to source during the January 2023 renewal season. The reinsurance industry continues to be well capitalized; however, rising interest rates and challenging equity markets accompanied by the significant catastrophe losses, with the insurance and reinsurance industry now having five of the last six years each absorbing insured losses in excess of $120 billion, global reinsurance capital shrank in 2022 and did not attract significant new capital from either traditional or alternative sources. Given the reduced capital position, it is believed the hard market will continue into 2023 and possibly beyond.

Non-insurance companies

Operating income (loss) – Non-insurance companies

	Restaurants and retail[(1)]	Fairfax India[(1)]	Performance fee expense (income)[(2)]	Fairfax India excluding impact of performance fee	Thomas Cook India[(1)]	Other[(1)(3)]	Total
2018	**131.9**	99.7	–	**99.7**	**27.1**	**121.6**	**380.3**
2019	**79.4**	113.6	48.5	**162.1**	**(176.7)**	**(18.7)**	**46.1**
2020	**(69.5)**	11.0	(42.0)	**(31.0)**	**(66.5)**	**(53.7)**	**(220.7)**
2021	**86.5**	(60.7)	85.2	**24.5**	**(44.2)**	**11.4**	**78.2**
2022	**137.9**	162.0	(36.4)	**125.6**	**10.5**	**(89.1)**	**184.9**

(1) As disclosed in Note 25 (Segmented Information) to the relevant consolidated financial statements for the years ended December 31.

(2) Relates to performance fees recorded by Fairfax India to be paid to the company pursuant to Fairfax India's investment advisory agreement with the company. This intercompany fee is eliminated in the company's consolidated financial reporting. Refer to Note 28 (Related Party Transactions) to the consolidated financial statements for the year ended December 31, 2022. Fairfax has earned $119.6 in performance fees from Fairfax India since Fairfax India's inception in 2015 that was paid in subordinate voting shares of Fairfax India for the cumulative period ending December 31, 2020.

(3) Includes non-cash goodwill impairment charges of $133.4 on Farmers Edge in 2022.

- Operating income of the Non-insurance companies reporting segment increased to $184.9 in 2022 from $78.2 in 2021. Excluding the impact of the non-cash goodwill impairment charges on Farmers Edge recorded during 2022 of $133.4, operating income of the Non-insurance companies reporting segment increased significantly by $240.1 to $318.3 in 2022, principally reflecting higher share of profit of associates at Fairfax India, higher business volumes at Thomas Cook India, and improved margins and higher business volumes in the Restaurants and retail operating segment and at AGT. This significant improvement of $240.1 from the Non-insurance companies reporting segment reflected the easing of COVID-19 restrictions that had previously negatively impacted this reporting segment with the increase in operating income in 2022 driven by increases reported in all underlying operating segments.
- On July 5, 2022 the company increased its interest in Grivalia Hospitality S.A. ("Grivalia Hospitality") to 78.4% from 33.5%. Grivalia Hospitality acquires, develops and manages hospitality real estate in Greece, Cyprus and Panama.

- On October 28, 2022 the company acquired all of the multiple voting shares ("MVS") and subordinate voting shares in the capital of Recipe, other than those shares owned by the company and 9,398,729 MVS owned by Cara Holdings Limited, increasing the company's equity ownership in Recipe from 39.4% to 84.0%, inclusive of Recipe shares held through the company's investment in AVLNs entered with RiverStone Barbados.
- The company's investments in non-insurance associates and market traded consolidated non-insurance subsidiaries are primarily held in the insurance and reinsurance companies' investment portfolios and as such are managed and reviewed by management as part of portfolio investment performance. Refer to the heading Financial Condition within this section of the MD&A for additional details on the pre-tax excess of fair value over the carrying value of investments in non-insurance associates and market traded consolidated non-insurance subsidiaries of $310.0 at December 31, 2022 that the company considers to be portfolio investments and is not reflected in the company's book value per basic share.

Investment Performance

Interest and dividends

	Interest income	Dividends	Investment expenses	Interest and dividends
2018	743.9	81.5	(41.9)	**783.5**
2019	826.3	93.7	(39.8)	**880.2**
2020	716.5	77.8	(25.1)	**769.2**
2021	568.4	108.2	(35.8)	**640.8**
2022	873.5	140.4	(52.1)	**961.8**

- Interest and dividends increased to $961.8 in 2022 from $640.8 in 2021, primarily reflecting higher interest income earned, principally due to a general increase in sovereign bond yields, net purchases of U.S. treasury and Canadian government bonds, first mortgage loans and other government bonds during 2021 and 2022, and increased dividend income from preferred stocks, partially offset by lower interest income earned from net sales of U.S. corporate bonds during 2021 and lower dividend income earned from long equity total return swaps.
- At December 31, 2022 the company's insurance and reinsurance companies held portfolio investments of $52.2 billion (excluding Fairfax India's portfolio of $1.9 billion), of which $9.4 billion was in cash and short term investments and $28.6 billion in short-dated fixed income securities. During 2022 the company used existing cash and the proceeds from sales and maturities of short dated investments to primarily purchase U.S. treasury and Canadian government bonds with 1 to 5 year terms, Canadian provincial bonds, short-dated high quality corporate bonds and first mortgage loans, principally increasing interest and dividend income in 2022 by $321.0, and producing the company's current run rate of approximately $1.5 billion annually.

Share of profit (loss) of associates

	Insurance and reinsurance				Non-insurance						
	Eurolife[(1)]	Gulf Insurance	All other	Total	Eurobank	Resolute	Atlas[(2)]	Quess	All other	Total	Share of profit (loss) of associates
2018	18.1	7.3	(55.1)	**(29.7)**	–	74.4	8.8	8.4	159.2	**250.8**	**221.1**
2019	154.8	15.4	(23.7)	**146.5**	–	(4.9)	83.8	(183.2)	127.4	**23.1**	**169.6**
2020	6.1	5.8	107.4	**119.3**	(11.9)	(57.0)	116.4	(124.6)	(155.0)	**(232.1)**	**(112.8)**
2021	14.3	55.5	2.8	**72.6**	162.3	75.9	69.5	(1.4)	23.1	**329.4**	**402.0**
2022	–	53.0	(22.6)	**30.4**	263.0	159.0	258.2	6.8	297.3	**984.3**	**1,014.7**

(1) Consolidated on July 14, 2021.

(2) Formerly Seaspan Corporation during 2019 and 2018.

- Share of profit of associates in 2022 of $1,014.7 primarily reflected significant improvement in the company's underlying investments in Atlas (share of profit of $258.2 compared to $69.5 in 2021), Eurobank (share of profit of $263.0 compared to $162.3 in 2021), Resolute (share of profit of $159.0 compared to $75.9 in 2021), and EXCO (share of profit of $81.9 compared to share of loss of $41.2 in 2021). Fairfax has seen improvements during 2022 and 2021 in the underlying operations that are evidenced in the company's share of profit recorded and the absence of impairment charges in those respective periods.

Net gains (losses) on investments

	Long equity exposures	Short equity exposures	Net equity exposures and financial effects	Bonds	Other	Net gains (losses) on investments
2018	431.9	(38.2)	393.7	8.3	(149.1)	252.9
2019	1,280.0	(57.8)	1,222.2	110.4	383.6	1,716.2
2020	371.9	(528.6)	(156.7)	460.2	9.6	313.1
2021	2,312.1	–	2,312.1	(260.9)	1,393.9	3,445.1
2022	(243.8)	–	(243.8)	(1,086.1)	(404.0)	(1,733.9)

- Net losses on long equity exposures of $243.8 in 2022 were primarily comprised of net losses on common stocks ($242.7), convertible bonds ($237.0), AVLNs entered with RiverStone Barbados ($87.3) and equity warrants and options ($50.0), partially offset by net gains on long equity total return swaps ($328.1) which included net gains of $255.4 on the company's investment in long equity total return swaps on Fairfax subordinate voting shares.
- Net losses on bonds in 2022 of $1,086.1, the majority of which are expected to reverse over the short term, were primarily comprised of net losses on corporate and other bonds ($445.7, principally related to U.S. and other corporate bonds), U.S. treasury bonds ($442.1), Greek government bonds ($157.8) and U.S. state and municipal bonds ($73.7), partially offset by net gains on U.S. treasury bond forward contracts ($162.4). At December 31, 2022 the company's fixed income portfolio duration remained low at approximately 1.6 years on $38.0 billion invested in cash and principally short-dated investments (comprised of short term investments and the bond portfolio which is mainly invested in short-dated bonds). The company experienced a decline of only 2.9% in its fixed income portfolio in 2022, and the low duration should continue to mitigate the impact of rising interest rates on the company's fixed income portfolio, while enabling the company to continue to benefit significantly from increased interest income in future periods considering the portfolio is primarily deployed into one to five year U.S. treasury and Canadian government bonds, short-dated high quality corporate bonds and first mortgage loans.
- Net losses on other of $404.0 primarily reflected unrealized foreign exchange losses, principally related to the strengthening of the U.S. dollar against the company's investments denominated in the Indian rupee, Canadian dollar and Egyptian pound.

Financial Condition

	Holding company cash and investments, net of derivative obligations	Total debt to total capital, excluding consolidated non-insurance companies[1]	Excess (deficiency) of fair value over carrying value[2]	Net earnings attributable to shareholders of Fairfax	Common shareholders' equity	Book value per basic share	Closing share price in Cdn$
2018	1,550.6	25.0%	(98.4)	376.0	11,779.3	432.46	600.98
2019	975.2	24.5%	(209.0)	2,004.1	13,042.6	486.10	609.74
2020	1,229.4	29.7%	(662.6)	218.4	12,521.1	478.33	433.85
2021	1,446.2	24.1%	346.4	3,401.1	15,049.6	630.60	622.24
2022	1,326.4	26.2%	310.0	1,147.2	15,340.7	657.68	802.07
% change 2022 over 2021						4.3%	28.9%
% change 2022 over 2018						52.1%	33.5%

(1) Excludes borrowings at the consolidated non-insurance companies as those are non-recourse to the holding company.

(2) Excess (deficiency) of fair value over carrying value of non-insurance associates and market traded consolidated non-insurance subsidiaries as disclosed in Financial Condition under the heading Book Value Per Basic Share in this MD&A.

- Maintaining an emphasis on financial soundness, the company held $1,345.8 of cash and investments at the holding company at December 31, 2022 compared to $1,478.3 at December 31, 2021, with its $2.0 billion unsecured revolving credit facility undrawn. The holding company cash and investments, as mentioned before, supports the decentralized structure and enables Fairfax to deploy capital to the company's insurance and reinsurance companies efficiently. On June 29, 2022 the company amended and restated its $2.0 billion unsecured revolving credit facility with a syndicate of lenders on substantially the same terms which extended the expiry from June 29, 2026 to June 29, 2027.
- The company's property and casualty insurance and reinsurance companies continue to maintain capital well above minimum regulatory levels, at levels adequate to support their issuer credit and financial strength ratings, and above internally calculated risk management levels. Refer to the Financial Condition section under the heading "Capital Resources and Management" within this MD&A for additional details on the financial strength ratings of the company's property and casualty insurance and reinsurance operating companies.
- The company's consolidated total debt to total capital ratio, excluding consolidated non-insurance subsidiaries, increased to 26.2% at December 31, 2022 from 24.1% at December 31, 2021, primarily reflecting the issuance on August 16, 2022 of $750.0 million principal amount of 5.625% unsecured senior notes due 2032 and a decline in non-controlling interests reflecting the company's acquisition of additional shares of Allied World from non-controlling interests, where the company now has an ownership interest in Allied World of 82.9%. The company has no significant holding company debt maturities until August 2024.
- At December 31, 2022 the excess of fair value over carrying value of investments in non-insurance associates and market traded consolidated non-insurance subsidiaries was $310.0 compared to an excess of fair value over carrying value at December 31, 2021 of $346.4, with the pre-tax excess of $310.0 not reflected in the company's book value per share, but regularly reviewed by management as an indicator of investment performance. The company's investments in non-insurance associates accounted for $266.3 of the pre-tax excess, principally attributable to Atlas ($358.4), EXCO ($256.4) and Stelco ($118.5), partially offset by Quess ($224.9) and Eurobank ($163.1), and the improvements in market traded consolidated non-insurance subsidiaries accounted for $43.7, primarily related to Thomas Cook India ($78.8) and Fairfax India ($68.3), partially offset by Farmers Edge ($65.9) and Boat Rocker ($61.9).
- Common shareholders' equity increased to $15,340.7 at December 31, 2022 from $15,049.6 at December 31, 2021, primarily reflecting:
  - strong net earnings attributable to shareholders of Fairfax of $1,147.2, and
  - other comprehensive income relating to net gains on defined benefit plans of $174.7; partially offset by
  - other comprehensive loss of $399.1 relating to unrealized foreign currency losses net of hedges,
  - payments of common and preferred share dividends of $295.1,
  - purchases of subordinate voting shares for cancellation for cash consideration of $199.6, or $514.71 per share, well below the company's book value per basic share, and
  - net changes in capitalization of $173.6 (principally related to the acquisition of additional common shares of Allied World from non-controlling interests and the privatization of Recipe).
- Book value per basic share was $657.68 at December 31, 2022 compared to $630.60 at December 31, 2021, representing an increase of 4.3% without adjustment for the $10.00 per common share dividend paid in the first quarter of 2022, or an increase of 6.0% adjusted to include that dividend. At December 31, 2022 there were 23,325,305 common shares effectively outstanding.
- The company's book value per basic share has increased 52.1% since 2018 while the share price in Canadian dollars has increased by 33.5%. As a result, Fairfax has completed share buybacks but not at the expense of supporting growth at the insurance and reinsurance companies and maintaining strong issuer credit and financial strength ratings at the holding company and insurance and reinsurance companies. Fairfax has purchased 3,306,421 subordinate voting shares for cancellation from the first quarter of 2018 up to December 31, 2022, at a cost of $1,569.3, or an average price of $474.63 per share, a significant benefit to Fairfax's long term shareholders.
- Information on the company's 2022 Environmental, Social and Governance ("ESG") report can be accessed from the company's website *www.fairfax.ca.*

Conflict in Ukraine

On February 24, 2022 Russia invaded Ukraine, causing a major humanitarian crisis. As a result, countries around the world have imposed economic sanctions against Russia, largely led by western nations ("the conflict in Ukraine") including bans on the import of Russian oil and natural gas by certain countries including Canada and the U.S. As such, oil and other commodity prices increased sharply and were volatile throughout 2022.

The company's insurance operations located in Ukraine (comprised of the company's 70.0% equity interest in Fairfax Ukraine, which consists of ARX Insurance and Universalna, and Colonnade Insurance's wholly-owned Ukrainian insurance company) have all continued to operate, with continued efforts on maintaining sales, finance, marketing, operations and claims handling processes, leveraging the remote work environment established during the COVID-19 crisis. The company's property and casualty insurance and reinsurance subsidiaries' operating results in 2022 included net losses on claims of $68.4 (approximately 84% incurred but not reported losses), or 0.3 combined ratio points, directly related to insurance policies that have potential exposure to the conflict in Ukraine, primarily in marine, terrorism and political risk lines of business in the Global Insurers and Reinsurers reporting segment.

The company's investment in associate, Astarta Holding N.V., is located in Ukraine and also continued to operate with no significant effects reported on its underlying operations in 2022. The company will continue to monitor the potential impact the conflict in Ukraine may have on its businesses.

Business Developments

Substantial Issuer Bid

On December 29, 2021 the company completed a substantial issuer bid pursuant to which it purchased for cancellation 2,000,000 subordinate voting shares for cash consideration of $1.0 billion or $500.00 per share.

Acquisitions and Divestitures

The following narrative sets out the company's key business developments subsequent to December 31, 2022, and completed in 2022 and 2021 by reporting segment. For details of these transactions refer to note 6 (Investments in Associates), note 16 (Total Equity) and note 23 (Acquisitions and Divestitures) to the consolidated financial statements for the year ended December 31, 2022.

North American Insurers

On October 31, 2022 the company sold its interests in the Crum & Forster Pet Insurance Group and Pethealth to Independence Pet Group and certain of its affiliates, which are majority owned by JAB Holding Company ("JAB"). As part of the transaction, the company received $1.4 billion in the form of $1.15 billion in cash and $250.0 in debentures, and the company committed to invest $200.0 in a JAB consumer fund. As a result of the sale, the company recorded a pre-tax gain of $1,213.2, in gain on sale and consolidation of insurance subsidiaries in the consolidated statement of earnings (an after-tax gain of $933.9), and deconsolidated assets and liabilities with carrying values of $149.1 and $32.0.

Global Insurers and Reinsurers

On January 7, 2023 Brit entered into an agreement to sell Ambridge Group, its Managing General Underwriter operations, to Amynta Group. The company will receive approximately $400 on closing, comprised principally of cash of $275.0 and a promissory note of approximately $125. An additional $100.0 may be receivable based on 2023 performance targets of Ambridge. Closing of the transaction is subject to customary closing conditions, including regulatory approvals, and is expected to occur in the next few months. On closing of the transaction, the company expects to deconsolidate assets and liabilities with carrying values at December 31, 2022 of approximately $284 and $160, and to record a pre-tax gain of approximately $275 (prior to ascribing any fair value to the additional receivable).

On December 15, 2021 Odyssey Group issued shares representing an aggregate 9.99% equity interest to a subsidiary of Canada Pension Plan Investment Board ("CPPIB") and OMERS, the pension plan for Ontario's municipal employees, for cash consideration of $900.0 which was subsequently paid by Odyssey Group as a dividend to Fairfax. The company recorded an aggregate equity gain of $429.1, principally comprised of a dilution gain and the fair value of a call option received, which was presented as net changes in capitalization in the consolidated statement of changes in equity. The company has the option to purchase the interests of CPPIB and OMERS in Odyssey Group at certain dates commencing in January 2025.

On August 27, 2021 Brit issued shares representing a 13.9% equity interest to OMERS for cash consideration of $375.0 which was subsequently paid by Brit as a dividend to Fairfax. The company recorded an aggregate equity gain of $115.4, principally comprised of a dilution gain and the fair value of a call option received, which was presented as net changes in capitalization in the consolidated statement of changes in equity. The company has the option to purchase OMERS' interest in Brit at certain dates commencing in October 2023.

International Insurers and Reinsurers

On June 17, 2021 the company increased its ownership interest in Singapore Reinsurance Corporation Limited ("Singapore Re") from 28.2% to 94.0% for $102.9 (SGD 138.0) and subsequently increased its ownership interest to 100%.

Life insurance and Run-off

On August 23, 2021 the company sold its 60.0% joint venture interest in RiverStone Barbados to CVC Capital Partners ("CVC") for consideration of $695.7, principally comprised of cash of $462.0 and non-voting shares of CVC's RiverStone Barbados holding company. Prior to completion of the transaction, certain subsidiaries of RiverStone Barbados held investments in various Fairfax subsidiaries and certain other companies. As part of the transaction, on February 8, 2021 the company had entered into Asset Value Loan Notes ("AVLNs") to guarantee the then approximately $1.3 billion value of the securities to CVC and certain affiliates thereof until such time the securities are purchased by or sold at the direction of Hamblin Watsa, prior to the end of 2022. The company, through Hamblin Watsa, continues to manage and have direction over these securities, including their voting rights. The company recorded the AVLNs as derivative instruments whose fair value is the difference between the guaranteed value of the underlying securities and their fair value, which resulted in a derivative asset of $103.8 on the consolidated balance sheet at December 31, 2021, and a net gain on investments of $103.8 for the year then ended in the consolidated statement of earnings. During 2021 securities with a guaranteed value of $120.8 were sold or purchased by Hamblin Watsa, leaving securities with a guaranteed value of approximately $1.1 billion remaining under the AVLNs at December 31, 2021. Subsequently on July 5, 2022, as described in note 7 (Derivatives) to the consolidated financial statements for the year ended December 31, 2022, an amendment to the AVLNs was completed, extending $543.4 of the underlying securities to be purchased or sold prior to the end of 2023. The remainder of the securities were purchased or sold during 2022; in addition, certain of the amended AVLNs were purchased in the second half of 2022, leaving securities with a guaranteed value of $486.8 at December 31, 2022 to be purchased or sold in 2023.

On July 14, 2021 the company increased its interest in Eurolife to 80.0% from 50.0% by exercising a call option valued at $127.3 to acquire the joint venture interest of OMERS for cash consideration of $142.7 (€120.7).

Non-insurance companies

Restaurants and retail

On October 28, 2022 the company acquired all of the multiple voting shares ("MVS") and subordinate voting shares in the capital of Recipe, other than those shares owned by the company and 9,398,729 MVS owned by Cara Holdings Limited, at a cash purchase price of Cdn$20.73 per share or $342.3 (Cdn$465.9) in aggregate and recorded a loss in retained earnings of $66.1 and a decrease in non-controlling interests of $276.2. The transaction increased the company's equity ownership in Recipe from 38.5% at December 31, 2021 to 75.7%, or 84.0% inclusive of Recipe shares held through the company's investment in AVLNs entered with RiverStone Barbados. Recipe was subsequently delisted from the Toronto Stock Exchange.

On August 19, 2021 the company sold the operations of Toys "R" Us Canada for consideration of $90.3 (Cdn$115.7).

Fairfax India

On September 16, 2021 Fairfax India transferred 43.6% out of its 54.0% equity interest in Bangalore Airport to Anchorage Infrastructure Investments Holdings Limited ("Anchorage"), its wholly-owned holding company for investments in the airport sector of India, and sold an 11.5% equity interest in Anchorage to OMERS for gross proceeds of $129.2 (9.5 billion Indian rupees). Upon closing Fairfax India recorded a non-controlling interest in Anchorage and continued to equity account for its aggregate 54.0% equity interest in Bangalore Airport.

On April 29, 2021 Fairfax India sold its 48.8% equity interest in Privi to certain affiliates of Privi's founders for $164.8 (12.2 billion Indian rupees).

Other

On July 5, 2022 the company increased its interest in Grivalia Hospitality S.A. ("Grivalia Hospitality") to 78.4% from 33.5% by acquiring additional shares for cash consideration of $194.6 (€190.0) and commenced consolidating the assets, liabilities and results of operations of Grivalia Hospitality.

On August 5, 2021 Mosaic Capital completed a privatization arrangement with a third party purchaser pursuant to which the company principally exchanged its holdings of Mosaic Capital debentures and warrants, and cash of $10.7 (Cdn$13.3), for $130.8 (Cdn$163.3) of newly issued Mosaic Capital 25-year debentures.

During March 2021, Boat Rocker completed an initial public offering for $135.5 (Cdn$170.1) and Farmers Edge completed an initial public offering for $113.8 (Cdn$143.8).

Sources of Income

Income for the most recent three years was comprised as follows:

	2022	**2021**	**2020**
Net premiums earned – Property and Casualty Insurance and Reinsurance			
North American Insurers	6,107.8	5,024.8	4,494.1
Global Insurers and Reinsurers	12,726.9	9,451.8	8,019.9
International Insurers and Reinsurers	1,829.0	1,613.6	1,346.6
	20,663.7	16,090.2	13,860.6
Life insurance and Run-off	342.4	467.8	128.1
Net premiums earned	21,006.1	16,558.0	13,988.7
Interest and dividends	961.8	640.8	769.2
Share of profit (loss) of associates	1,014.7	402.0	(112.8)
Net gains (losses) on investments	(1,733.9)	3,445.1	313.1
Gain on sale and consolidation of insurance subsidiaries	1,219.7	264.0	117.1
Other revenue(1)	5,581.6	5,158.0	4,719.6
	28,050.0	26,467.9	19,794.9

(1) Represents revenue earned by the Non-insurance companies reporting segment, which is comprised primarily of the revenue earned by the Restaurants and retail operating segment (comprised of Recipe, Sporting Life and Golf Town), Thomas Cook India (inclusive of its subsidiary Sterling Resorts), Fairfax India and its subsidiaries, and the Other operating segment (comprised of AGT, Boat Rocker, Dexterra Group, Farmers Edge and Grivalia Hospitality (consolidated on July 5, 2022)). Also included is the revenue earned by the following companies up to the noted date of deconsolidation: Toys "R" Us Canada (August 19, 2021) and Mosaic Capital (August 5, 2021).

Year ended December 31, 2022 compared to December 31, 2021

The increase of $4,573.5 in net premiums earned by the company's property and casualty insurance and reinsurance operations in 2022 reflected the continued significant growth in the Global Insurers and Reinsurers ($3,275.1, 34.7%), North American Insurers ($1,083.0, 21.6%), and International Insurers and Reinsurers ($215.4, 13.3%) reporting segments. Refer to the Components of Net Earnings section of this MD&A under the relevant reporting segment for details about net premiums earned by the company's property and casualty insurance and reinsurance operations, and Life insurance and Run-off in 2022 and 2021.

A detailed analysis of consolidated interest and dividends, share of profit (loss) of associates and net gains (losses) on investments in 2022 and 2021 is provided in the Investments section of this MD&A.

Gain on sale and consolidation of insurance subsidiaries of $1,219.7 in 2022 primarily related to the sale of the company's interest in the Crum & Forster Pet Insurance Group and Pethealth, including all of their worldwide operations, to Independence Pet Group and certain of its affiliates, which are majority owned by JAB Holding Company. Gain on sale and consolidation of insurance subsidiaries of $264.0 in 2021 primarily related to realized gains on the consolidation of Eurolife ($130.5) and Singapore Re ($32.4), and a realized gain of $36.1 recorded by Allied World on disposition of its majority interest in Vault Insurance.

Other revenue earned by the Non-insurance companies reporting segment increased to $5,581.6 in 2022 from $5,158.0 in 2021, principally reflecting increased business volumes at AGT, Thomas Cook India (from continued easing of COVID-19 related travel restrictions and increased domestic and international travel), Dexterra Group (primarily driven by acquisitions in the first quarter of 2022) and Recipe (principally due to reduced COVID-19 related restrictions in 2022), partially offset by the deconsolidation of Toys "R" Us Canada (on August 19, 2021) and Mosaic Capital (on August 5, 2021), decreased business volumes at Boat Rocker and Fairfax India's deconsolidation of Privi (on April 29, 2021). Refer to the Non-insurance companies section of this MD&A for additional details on other revenue in 2022 and 2021.

Year ended December 31, 2021 compared to December 31, 2020

The increase in net premiums earned by the company's property and casualty insurance and reinsurance operations in 2021 reflected increases at the Global Insurers and Reinsurers ($1,431.9, 17.9%), North American Insurers ($530.7, 11.8%), and International Insurers and Reinsurers ($267.0, 19.8%) reporting segments. The increase in net premiums earned at Life insurance and Run-off in 2021 principally reflected the consolidation of Eurolife on July 14, 2021, as well as the fourth quarter 2021 intercompany reinsurance transaction that increased net premiums earned at Run-off by $358.1, as described in the Life insurance and Run-off section of this MD&A.

Net gains on investments of $3,445.1 in 2021 principally reflected net gains on long equity exposures of $2,312.1 and preferred stocks of $1,508.9 (primarily reflecting net unrealized gains of $1,490.3 (inclusive of foreign exchange losses) on Digit compulsory convertible preferred shares), partially offset by net losses on bonds. Net gains on investments of $313.1 in 2020 principally reflected net gains on bonds (due to unrealized appreciation of high quality corporate bonds) and long equity exposures, partially offset by net losses on short equity exposures (from closing out the company's remaining short equity total return swaps) and U.S. treasury bond forward contracts.

Interest and dividends decreased to $640.8 in 2021 from $769.2 in 2020, primarily reflecting lower interest income earned, principally due to a general decrease in sovereign bond yields, sales and maturities of U.S. treasury bonds throughout 2020 and net sales of U.S. corporate bonds during 2021, partially offset by higher interest income earned on first mortgage loans purchased during 2021 and increased dividend income from common stocks.

Share of profit of associates of $402.0 in 2021 principally reflected share of profit of Eurobank of $162.3, Resolute of $75.9, Atlas of $69.5 and Gulf Insurance of $55.5. Share of loss of associates of $112.8 in 2020 primarily reflected non-cash impairment losses of $240.3 (principally related to investments in Quess, Resolute, Atlas Mara and Astarta) and share of loss from Fairfax India's investments in Sanmar of $48.6 and Bangalore Airport of $30.5, partially offset by share of profit of Atlas of $116.4 and RiverStone Barbados of $113.0.

Gain on sale and consolidation of insurance subsidiaries of $117.1 in 2020 related to the deconsolidation of European Run-off.

Other revenue earned by the Non-insurance companies reporting segment increased to $5,158.0 in 2021 from $4,719.6 in 2020 principally reflecting higher business volumes at the Restaurants and retail operating segment (partially offset by the deconsolidation of Toys "R" Us Canada on August 19, 2021), Boat Rocker, Dexterra Group (partly due to the reverse acquisition of Horizon North on May 29, 2020) and AGT, and the impact of the strengthening of the Canadian dollar relative to the U.S. dollar on the non-insurance companies located in Canada, partially offset by the deconsolidation of Fairfax Africa (on December 8, 2020) and Privi at Fairfax India (on April 29, 2021).

Net Premiums Written by Reporting Segment

The table below presents net premiums written by the company's insurance and reinsurance operations.

	2022	2021	% change year-over-year
Property and Casualty Insurance and Reinsurance			
North American Insurers	6,457.6	5,319.7	21.4
Global Insurers and Reinsurers	13,506.3	10,755.5	25.6
International Insurers and Reinsurers	1,963.1	1,734.2	13.2
	21,927.0	17,809.4	23.1
Life insurance and Run-off	344.7	468.7	(26.5)
Net premiums written	22,271.7	18,278.1	21.8

Property and Casualty Insurance and Reinsurance Operations

North American Insurers' net premiums written increased by 21.4% in 2022, primarily reflecting increased business volumes at Crum & Forster (primarily accident and health, surplus and specialty, and commercial lines) and Northbridge (primarily property lines and strong retention), rate increases across most lines of business, with the exception of Zenith National's workers' compensation which continues to experience rate decreases, and the impact of Crum & Forster's fourth quarter of 2021 intercompany reinsurance transaction described in the North American Insurers section of this MD&A.

Global Insurers and Reinsurers' net premiums written increased by 25.6% in 2022, primarily reflecting record premiums at each of the operating companies within this reporting segment which included increased premiums at Odyssey Group (primarily relating to U.S. property reinsurance including a large quota share agreement covering homeowners risks, U.S. casualty reinsurance and U.S. crop insurance), Brit (primarily reflecting growth at Ki Insurance and core insurance lines of business) and Allied World (primarily the North American and Global Markets platforms relating to excess casualty and professional liability, as well as its reinsurance operations).

International Insurers and Reinsurers' net premiums written increased by 13.2% in 2022, primarily reflecting increases at Fairfax Asia (principally as a result of the consolidation of Singapore Re on June 17, 2021), Fairfax Latin America (primarily due to increases at Fairfax Latam (increases at Southbridge Chile and La Meridional Argentina), partially offset by decreases at Fairfax Brasil) and at Group Re (across all of Group Re's operating companies), and the consolidation of Eurolife General for a full year.

Life insurance and Run-off

Net premiums written at Life insurance and Run-off decreased by 26.5% in 2022, principally reflecting Run-off assuming $358.1 as an increase in premiums in 2021 in an intercompany reinsurance transaction (as described in the Life insurance and Run-off section of this MD&A), partially offset by the consolidation of Eurolife on July 14, 2021.

Net Premiums Earned by Geographic Region

As presented in note 25 (Segmented Information) to the consolidated financial statements for the year ended December 31, 2022, the United States, Canada, International and Asia accounted for 64.9%, 10.9%, 17.4% and 6.8% respectively, of net premiums earned by geographic region in 2022, compared to 62.4%, 12.6%, 17.5% and 7.5% respectively, in 2021.

United States

Net premiums earned in the United States geographic region increased by 31.8% from $10,333.4 in 2021 to $13,617.7 in 2022 principally reflecting growth at each of Odyssey Group (property and casualty reinsurance), Crum & Forster (accident and health, surplus and specialty, and commercial lines), Allied World (primarily excess casualty and professional liability, as well as its reinsurance operations) and Brit (reflecting growth at Ki Insurance and cyber and property insurance), and the impact of the fourth quarter 2021 reinsurance transaction at Brit which decreased premiums earned in 2021.

Canada

Net premiums earned in the Canada geographic region increased by 10.4% from $2,078.2 in 2021 to $2,293.5 in 2022 primarily reflecting an increase at Northbridge (new business, strong retention of renewal business and continued incremental rate increases).

International

Net premiums earned in the International geographic region increased by 26.4% from $2,899.4 in 2021 to $3,663.5 in 2022 primarily reflecting growth in Europe at Brit (property and cyber insurance and casualty treaty) and Allied World (primarily property and professional liability insurance), and in Latin America at Odyssey Group (treaty and facultative reinsurance) and Fairfax Latin America.

Asia

Net premiums earned in the Asia geographic region increased by 14.8% from $1,247.0 in 2021 to $1,431.4 in 2022 primarily reflecting growth at Group Re and the inclusion of a full year of earned premium of Singapore Re.

Sources of Net Earnings

The table below presents the sources of the company's net earnings for the years ended December 31, 2022, 2021 and 2020 using amounts presented in note 25 (Segmented Information) to the company's consolidated financial statements for the years ended December 31, 2022 and 2021, set out in a format the company has consistently used as it believes it assists in understanding the composition and management of the company. The table shows separately combined ratios and underwriting results for each of the Property and Casualty Insurance and Reinsurance segments. Operating income (loss) as presented for the Property and Casualty Insurance and Reinsurance, Life insurance and Run-off and Non-insurance companies reporting segments includes interest and dividends and share of profit (loss) of associates, and excludes net gains (losses) on investments which are considered a less predictable source of investment income. Net gains (losses) on investments is disaggregated into net realized gains (losses) on investments and net change in unrealized gains (losses) on investments, consistent with the manner in which management reviews the results of the company's investment management strategies.

	2022	2021	2020
Combined ratios – Property and Casualty Insurance and Reinsurance			
North American Insurers	92.9%	92.3%	95.1%
Global Insurers and Reinsurers	94.8%	96.0%	99.1%
International Insurers and Reinsurers	99.3%	97.5%	99.1%
Consolidated	94.7%	95.0%	97.8%
Sources of net earnings			
Operating income – Property and Casualty Insurance and Reinsurance:			
Underwriting profit:			
North American Insurers	433.0	386.9	220.8
Global Insurers and Reinsurers	659.0	374.2	75.6
International Insurers and Reinsurers	13.3	40.1	12.6
Underwriting profit	1,105.3	801.2	309.0
Interest and dividends	746.1	441.7	560.6
Share of profit of associates	721.5	324.1	46.2
Operating income – property and casualty insurance and reinsurance	2,572.9	1,567.0	915.8
Operating loss – Life insurance and Run-off	(55.3)	(272.9)	(194.6)
Operating income (loss) – Non-insurance companies	221.3	(7.0)	(178.7)
Interest expense	(452.8)	(513.9)	(475.9)
Corporate overhead and other expense	(59.9)	(89.7)	(252.7)
Gain on sale and consolidation of insurance subsidiaries	1,219.7	264.0	117.1
Pre-tax income (loss) before net gains (losses) on investments	3,445.9	947.5	(69.0)
Net realized gains (losses) on investments	757.1	1,463.0	(669.1)
Pre-tax income (loss) including net realized gains (losses) on investments	4,203.0	2,410.5	(738.1)
Net change in unrealized gains (losses) on investments	(2,491.0)	1,982.1	982.2
Earnings before income taxes	1,712.0	4,392.6	244.1
Provision for income taxes	(425.2)	(726.0)	(206.7)
Net earnings	1,286.8	3,666.6	37.4
Attributable to:			
Shareholders of Fairfax	1,147.2	3,401.1	218.4
Non-controlling interests	139.6	265.5	(181.0)
	1,286.8	3,666.6	37.4
Net earnings per share	$ 46.62	$ 129.33	$ 6.59
Net earnings per diluted share	$ 43.49	$ 122.25	$ 6.29
Cash dividends paid per share	$ 10.00	$ 10.00	$ 10.00

The company reported net earnings attributable to shareholders of Fairfax of $1,147.2 (net earnings of $46.62 per basic share and $43.49 per diluted share) in 2022 compared to record net earnings attributable to shareholders of Fairfax of $3,401.1 (net earnings of $129.33 per basic share and $122.25 per diluted share) in 2021. The year-over-year decrease in profitability reflected net losses on investments in 2022 (comprising mark-to-market losses on bonds due to the rising interest rate environment, the majority of which are expected to reverse over the short term) compared to net gains on investments in 2021, partially offset by a record year for both underwriting profit and operating income from the property and casualty insurance and reinsurance operations and increased operating income from the Non-insurance companies reporting segment.

Underwriting Profit – Property and Casualty Insurance and Reinsurance

The consolidated combined ratio of the property and casualty insurance and reinsurance operations was 94.7% in 2022, producing record underwriting profit of $1,105.3 despite catastrophe losses of $1,255.7 (representing 6.1 combined ratio points), compared to a combined ratio of 95.0% and an underwriting profit of $801.2 in 2021. The property and casualty insurance and reinsurance operations continued to experience net favourable prior year reserve development, with a benefit of $196.2 or 0.9 combined ratio points compared to $355.6 or 2.2 combined ratio points in 2021. Net favourable prior year reserve development in 2022 and 2021 was comprised as follows:

	2022	2021[1]
Property and Casualty Insurance and Reinsurance		
North American Insurers	(77.2)	(103.7)
Global Insurers and Reinsurers	(21.1)	(201.4)
International Insurers and Reinsurers	(97.9)	(50.5)
Net favourable prior year reserve development	(196.2)	(355.6)

(1) Includes net adverse prior year reserve development of COVID-19 losses of $73.5, primarily in the Global Insurers and Reinsurers reporting segment (principally at Odyssey Group and Allied World) related to assumed business interruption exposures outside North America.

Current period catastrophe losses in 2022 and 2021 were comprised as follows:

	2022		2021	
	Losses[1]	Combined ratio impact[2]	Losses[1]	Combined ratio impact[2]
Hurricane Ian	567.0	2.8	–	–
France hailstorms	118.7	0.6	–	–
Australian floods	71.4	0.3	–	–
Hurricane Ida	–	–	407.9	2.5
U.S. winter storms	–	–	246.0	1.5
European floods	–	–	219.8	1.4
Other	498.6	2.4	274.4	1.8
Total catastrophe losses	1,255.7	6.1 points	1,148.1	7.2 points

(1) Net of reinstatement premiums.

(2) Expressed in combined ratio points.

The following table presents the components of the company's combined ratios for the years ended December 31:

	2022	2021
Underwriting profit – Property and Casualty Insurance and Reinsurance	1,105.3	801.2
Loss & LAE – accident year	66.1%	64.9%
Commissions	16.6%	17.2%
Underwriting expense	12.9%	15.1%
Combined ratio – accident year	95.6%	97.2%
Net favourable reserve development	(0.9)%	(2.2)%
Combined ratio – calendar year	94.7%	95.0%

The calendar year loss & LAE ratio, comprised of the accident year loss & LAE ratio and net favourable reserve development, increased to 65.2% in 2022 from 62.7% in 2021, primarily reflecting lower net favourable prior year reserve development and the impact of the reinsurance transactions in 2021 (the Brit fourth quarter 2021 reinsurance transaction and the Crum & Forster fourth quarter 2021 intercompany reinsurance transaction, both of which reduced net premiums earned and losses on claims in 2021) that decreased the calendar year loss & LAE ratio by 1.5%.

The commission expense ratio of 16.6% in 2022 decreased from 17.2% in 2021, primarily reflecting the impact of reinsurance transactions in 2021 discussed above that added 0.7% to the commission expense ratio and increased premium volumes at Allied World which attract lower average net commissions, partially offset by increases at Odyssey Group (primarily reflecting changes in the mix of business written).

The underwriting expense ratio improved significantly to 12.9% in 2022 from 15.1% in 2021, principally reflecting lower underwriting expense ratios at Odyssey Group, Allied World, and Crum & Forster (primarily reflecting increased net premiums earned relative to modest increases in other underwriting expenses at each operating company) and the impact of reinsurance transactions in 2021 discussed above that added 0.6% to the underwriting expense ratio in 2021.

Other underwriting expenses increased to $2,666.0 in 2022 from $2,431.9 in 2021, primarily reflecting increased business volumes at most of the property and casualty insurance and reinsurance companies. For further details refer to note 25 (Segmented Information) to the consolidated financial statements for the year ended December 31, 2022.

Operating expenses and Other expenses

Operating expenses as presented in the consolidated statement of earnings increased to $3,057.5 in 2022 from $2,946.1 in 2021, primarily reflecting increases in other underwriting expenses of the property and casualty insurance and reinsurance operations (as described in the preceding paragraph), partially offset by decreased Fairfax and subsidiary holding companies' corporate overhead (refer to the Corporate Overhead and Other section in this MD&A for details).

Other expenses as presented in the consolidated statement of earnings increased to $5,520.9 in 2022 from $5,086.9 in 2021, principally reflecting increased business volumes at AGT, Thomas Cook India (primarily from continued easing of COVID-19 related travel restrictions and increased domestic and international travel), Dexterra Group (primarily driven by local acquisitions in the first quarter of 2022 and organic growth) and Recipe (primarily from the easing of COVID-19 restrictions), and a non-cash goodwill impairment charge on Farmers Edge of $133.4 recorded in 2022, partially offset by the deconsolidation of Toys "R" Us Canada on August 19, 2021 and Mosaic Capital on August 5, 2021. Refer to the Non-insurance companies section of this MD&A for additional details.

Investment Income

An analysis of interest and dividends, share of profit (loss) of associates and net gains (losses) on investments for the years ended December 31, 2022 and 2021 is provided in the Investments section of this MD&A.

Net Earnings by Reporting Segment

The company's sources of net earnings shown by reporting segment are set out below for the years ended December 31, 2022 and 2021. In the Eliminations and adjustments column, the gross premiums written adjustment eliminates premiums on reinsurance ceded within the Property and Casualty Insurance and Reinsurance and Life insurance and Run-off reporting segments, primarily to Odyssey Group, Allied World and Group Re. Also presented in that column are adjustments to eliminate investment management and administration fees paid by the operating companies to the holding company. Those fees are included in interest and dividends (as investment management expense) by the operating companies and in corporate overhead and other (expense) income by the Corporate and Other reporting segment.

Year ended December 31, 2022

	Property and Casualty Insurance and Reinsurance								
	North American Insurers	Global Insurers and Reinsurers	International Insurers and Reinsurers	Total	Life insurance and Run-off	Non-insurance companies	Corporate and Other	Eliminations and adjustments	Consolidated
Gross premiums written	7,650.5	17,096.6	3,178.6	27,925.7	350.9	–	–	(364.0)	27,912.6
Net premiums written	6,457.6	13,506.3	1,963.1	21,927.0	344.7	–	–	–	22,271.7
Net premiums earned	6,107.8	12,726.9	1,829.0	20,663.7	342.4	–	–	–	21,006.1
Underwriting profit (loss)	433.0	659.0	13.3	1,105.3	(167.3)	–	–	0.5	938.5
Interest and dividends	234.0	413.3	98.8	746.1	55.6	26.6	9.6	123.9	961.8
Share of profit of associates	239.8	429.3	52.4	721.5	56.4	134.0	102.8	–	1,014.7
Non-insurance companies reporting segment	–	–	–	–	–	60.7	–	–	60.7
Operating income (loss)	906.8	1,501.6	164.5	2,572.9	(55.3)	221.3	112.4	124.4	2,975.7
Net gains (losses) on investments	(397.7)	(1,151.1)	(211.1)	(1,759.9)	(306.5)	71.4	261.1	–	(1,733.9)
Gain on sale and consolidation of insurance subsidiaries	1,213.2	–	6.5	1,219.7	–	–	–	–	1,219.7
Interest expense	(5.7)	(51.1)	(3.0)	(59.8)	(13.2)	(122.8)	(257.2)	0.2	(452.8)
Corporate overhead and other	(39.8)	(98.9)	(12.1)	(150.8)	(1.4)	–	(19.9)	(124.6)	(296.7)
Pre-tax income (loss)	1,676.8	200.5	(55.2)	1,822.1	(376.4)	169.9	96.4	–	1,712.0
Provision for income taxes									(425.2)
Net earnings									1,286.8
Attributable to:									
Shareholders of Fairfax									1,147.2
Non-controlling interests									139.6
									1,286.8

Year ended December 31, 2021

	Property and Casualty Insurance and Reinsurance								
	North American Insurers	Global Insurers and Reinsurers	International Insurers and Reinsurers	Total	Life insurance and Run-off	Non-insurance companies	Corporate and Other	Eliminations and adjustments	Consolidated
Gross premiums written	6,578.8	14,661.4	2,853.3	24,093.5	472.3	–	–	(655.6)	23,910.2
Net premiums written	5,319.7	10,755.5	1,734.2	17,809.4	468.7	–	–	–	18,278.1
Net premiums earned	5,024.8	9,451.8	1,613.6	16,090.2	467.8	–	–	–	16,558.0
Underwriting profit (loss)	386.9	374.2	40.1	801.2	(309.0)	–	–	0.3	492.5
Interest and dividends	135.1	236.7	69.9	441.7	19.3	(94.7)	24.6	249.9	640.8
Share of profit of associates	103.6	184.8	35.7	324.1	16.8	22.3	38.8	–	402.0
Non-insurance companies reporting segment	–	–	–	–	–	65.4	–	5.7	71.1
Operating income (loss)	625.6	795.7	145.7	1,567.0	(272.9)	(7.0)	63.4	255.9	1,606.4
Net gains on investments[(1)]	518.5	604.1	1,521.9	2,644.5	69.7	266.0	464.9	–	3,445.1
Gain on sale and consolidation of insurance subsidiaries	–	68.7	64.8	133.5	–	–	130.5	–	264.0
Interest expense	(8.6)	(50.5)	(2.4)	(61.5)	(7.9)	(140.3)	(305.4)	1.2	(513.9)
Corporate overhead and other	(53.7)	(88.0)	(22.3)	(164.0)	(38.4)	–	50.0	(256.6)	(409.0)
Pre-tax income (loss)	1,081.8	1,330.0	1,707.7	4,119.5	(249.5)	118.7	403.4	0.5	4,392.6
Provision for income taxes									(726.0)
Net earnings									3,666.6
Attributable to:									
Shareholders of Fairfax									3,401.1
Non-controlling interests									265.5
									3,666.6

(1) Includes net gains on deconsolidation of non-insurance subsidiaries primarily related to the deconsolidation of Fairfax India's subsidiary Privi of $94.9 and Toys "R" Us Canada of $85.7 as described in note 23 (Acquisitions and Divestitures) to the consolidated financial statements for the year ended December 31, 2021.

Components of Net Earnings

Underwriting and Operating Income

Presented below are the underwriting and operating results of the property and casualty insurance and reinsurance reporting segments and the operating income (loss) of Life insurance and Run-off and Non-insurance companies reporting segments, for the years ended December 31, 2022 and 2021. Interest and dividends, share of profit (loss) of associates and net gains (losses) on investments by reporting segment for the years ended December 31, 2022 and 2021 are provided in the Investments sections of this MD&A.

North American Insurers

	2022	2021[(1)]
Underwriting profit	**433.0**	**386.9**
Loss & LAE – accident year	61.1%	57.7%
Commissions	16.3%	18.2%
Underwriting expenses	16.8%	18.5%
Combined ratio – accident year	94.2%	94.4%
Net favourable reserve development	(1.3)%	(2.1)%
Combined ratio – calendar year	92.9%	92.3%
Gross premiums written	7,650.5	6,578.8
Net premiums written	6,457.6	5,319.7
Net premiums earned	6,107.8	5,024.8
Underwriting profit	433.0	386.9
Interest and dividends	234.0	135.1
Share of profit of associates	239.8	103.6
Operating income	906.8	625.6

(1) Effective October 1, 2021 Crum & Forster completed a loss portfolio transfer with Resolution Group Reinsurance (Barbados) Limited, to reinsure all net reserves for risks predominantly comprised of property, liability and workers' compensation exposures relating to accident years 2014 and prior ("2021 intercompany reinsurance transaction"). This transaction resulted in Crum & Forster ceding $358.1 of net insurance contract liabilities in exchange for consideration of $358.1 which was reflected as a reduction in net premiums written and net premiums earned of $358.1, and losses on claims of $358.1, which were eliminated within Fairfax's consolidated financial reporting.

North American Insurers, comprised of Northbridge, Crum & Forster and Zenith National, provides a full range of commercial insurance in property, casualty, and specialty risks, principally within the United States and Canada.

The North American Insurers reporting segment continued their strong underwriting performance, reporting an underwriting profit of $433.0 and a combined ratio of 92.9% in 2022 compared to an underwriting profit of $386.9 and a combined ratio of 92.3% in 2021. The increase in underwriting profitability in 2022 principally reflected continued growth in net premiums earned at Crum & Forster and Northbridge (including rate increases across most lines of business) relative to modest increases in underwriting expenses, the absence of current year COVID-19 losses and decreased current period catastrophe losses at Crum & Forster (as set out in the table below), partially offset by decreased net favourable prior year reserve development at Zenith National. The combined ratios and underwriting profits for each operating company in the North American Insurers reporting segment for 2022 and 2021 are shown in the table below.

	Combined ratios		Underwriting profit	
	2022	**2021**	**2022**	**2021**
Northbridge	89.4%	88.8%	204.8	202.2
Crum & Forster	94.5%	95.9%	189.5	101.9
Zenith National	94.7%	88.4%	38.7	82.8
North American Insurers	92.9%	92.3%	433.0	386.9

The commission expense ratio decreased to 16.3% in 2022 from 18.2% in 2021 primarily reflecting increased commission income from certain ceded lines at Northbridge, decreased average commissions in accident and health lines at Crum & Forster and the impact of Crum & Forster's 2021 intercompany reinsurance transaction.

The underwriting expense ratio decreased to 16.8% in 2022 from 18.5% in 2021 primarily reflecting increased net premiums earned relative to modest increases in other underwriting expenses and the impact of Crum & Forster's 2021 intercompany reinsurance transaction.

Net favourable prior year reserve development of $77.2 (1.3 combined ratio points) in 2022 primarily reflected net favourable emergence in workers' compensation at Zenith National, principally related to accident years 2015 through 2021, and commercial auto lines of business at Northbridge. Net favourable prior year reserve development of $103.7 (2.1 combined ratio points) in 2021 principally reflected net favourable emergence at Zenith National, primarily related to accident years 2018 through 2020 including favourable emergence on COVID-19 losses as well as better than expected loss emergence across multiple lines at Northbridge, primarily related to accident years 2018 through 2020 and partially offset by adverse loss emergence on mass latent claims from Northbridge's legacy business.

Catastrophe losses in the North American Insurers reporting segment for 2022 and 2021 are as set out in the following table:

	2022		2021	
	Losses[1]	Combined ratio impact	Losses[1]	Combined ratio impact
Winter Storm Elliott	31.5	0.5	–	–
Hurricane Ian	17.0	0.3	–	–
U.S. winter storms	–	–	45.4	0.9
Hurricane Ida	–	–	28.0	0.6
Other	51.9	0.8	40.7	0.8
Total catastrophe losses	100.4	1.6 points	114.1	2.3 points

(1) Net of reinstatement premiums.

Crum & Forster and Northbridge both produced record business volumes in 2022, contributing to the 16.3% increase in gross premiums written in the year, and primarily reflected increased business volumes at Crum & Forster (primarily accident and health, surplus and specialty, and commercial lines) and Northbridge (primarily property lines and strong retention) and rate increases across most lines of business with the exception of Zenith National's workers' compensation which continued to experience rate decreases. Zenith National's gross premiums written increased in 2022, primarily reflecting growth in other property and casualty lines of business, partially offset by a modest decrease in its workers' compensation business (principally reflecting continued rate decreases, partially offset by increased payroll exposure).

Net premiums written increased by 21.4% in 2022 consistent with the growth in gross premiums written and the impact of Crum & Forster's 2021 intercompany reinsurance transaction described previously.

Net premiums earned increased by 21.6% in 2022 principally reflecting the increase in net premiums written during 2022 and 2021 and the impact of Crum & Forster's 2021 intercompany reinsurance transaction. Gross premiums written and net premiums earned for each operating company in the North American Insurers reporting segment for 2022 and 2021 are shown in the table below.

	Gross premiums written		Net premiums earned	
	2022	2021	2022	2021
Northbridge	2,306.0	2,126.6	1,924.4	1,800.9
Crum & Forster	4,622.8	3,729.7	3,455.5	2,512.8
Zenith National	762.8	735.2	727.9	711.1
Inter-segment eliminations[1]	(41.1)	(12.7)	–	–
North American Insurers	7,650.5	6,578.8	6,107.8	5,024.8

(1) Reflects the elimination of intercompany gross premiums written amongst subsidiaries included within the North American Insurers reporting segment.

Cash provided by operating activities (excluding operating cash flow activity related to investments recorded at FVTPL) increased to $1,469.6 in 2022 from $1,352.0 in 2021 primarily reflecting increased net premium collections, partially offset by increased net claims paid at Crum & Forster and increased net taxes paid at Northbridge.

Global Insurers and Reinsurers

	2022	2021(1)
Underwriting profit	**659.0**	**374.2**
Loss & LAE – accident year	68.5%	69.3%
Commissions	16.6%	16.6%
Underwriting expenses	9.9%	12.2%
Combined ratio – accident year	95.0%	98.1%
Net favourable development	(0.2)%	(2.1)%
Combined ratio – calendar year	94.8%	96.0%
Gross premiums written	17,096.6	14,661.4
Net premiums written	13,506.3	10,755.5
Net premiums earned	12,726.9	9,451.8
Underwriting profit	659.0	374.2
Interest and dividends	413.3	236.7
Share of profit of associates	429.3	184.8
Operating income	1,501.6	795.7

(1) Effective October 1, 2021 Brit completed a loss portfolio transfer with RiverStone International, to reinsure all net reserves for risks predominantly comprised of U.S. casualty and discontinued lines of business relating to prior accident years ("Brit's 2021 reinsurance transaction"). This transaction resulted in Brit ceding $379.1 of net insurance contract liabilities for consideration of $344.1 which was reflected as a reduction within net premiums written and net premiums earned and losses on claims of $379.1, resulting in net favourable prior year reserve development of $35.0.

Global Insurers and Reinsurers, comprised of Allied World, Odyssey Group and Brit, provides diverse insurance and reinsurance coverage to its global customers including specialty insurance, treaty and facultative reinsurance and other risk management solutions.

The Global Insurers and Reinsurers reporting segment reported a significant improvement in underwriting profit of $659.0 producing a combined ratio of 94.8% in 2022 compared to an underwriting profit of $374.2 with a combined ratio of 96.0% in 2021. The improved underwriting results in 2022 principally reflected growth in net premiums earned (including rate increases across most lines of business) relative to modest increases in underwriting expenses and the absence of COVID-19 losses, partially offset by decreased net favourable prior year reserve development and a marginal increase in current period catastrophe losses. The combined ratios and underwriting profits for each operating company in the Global Insurers and Reinsurers reporting segment for 2022 and 2021 are shown in the table below.

	Combined ratios		Underwriting profit	
	2022	2021	2022	2021
Allied World	90.7%	93.4%	388.7	226.4
Odyssey Group	96.3%	97.8%	209.0	92.2
Brit	97.9%	96.8%	61.3	55.6
Global Insurers and Reinsurers	94.8%	96.0%	659.0	374.2

The underwriting expense ratio decreased to 9.9% in 2022 from 12.2% in 2021, primarily reflecting increased premiums earned relative to more modest increases in other underwriting expenses.

Net favourable prior year reserve development of $21.1 (0.2 of a combined ratio point) in 2022 primarily reflected net favourable prior year reserve development at Odyssey Group (primarily related to catastrophe losses, partially offset by net adverse prior year reserve development related to U.S. casualty losses), partially offset by net adverse prior year reserve development at Allied World (principally reflecting unfavourable loss emergence on late reported 2021 catastrophe losses, partially offset by net favourable prior year reserve development on non-catastrophe U.S. property lines). Net favourable prior year reserve development of $201.4 (2.1 combined ratio points) in 2021 primarily reflected better than expected non-catastrophe loss experience at Brit and Odyssey Group, partially offset by a modest net adverse prior year reserve development at Allied World, principally related to COVID-19 losses.

Catastrophe losses in the Global Insurers and Reinsurers reporting segment for 2022 and 2021 are as set out in the following table:

	2022		2021	
	Losses[(1)]	Combined ratio impact	Losses[(1)]	Combined ratio impact
Hurricane Ian	543.4	4.3	–	–
France hailstorms	118.6	0.9	–	–
Australian floods	71.4	0.6	–	–
Hurricane Ida	–	–	376.8	4.0
European floods	–	–	219.0	2.3
U.S. winter storms	–	–	198.1	2.1
Other	337.0	2.7	224.1	2.4
Total catastrophe losses	1,070.4	8.5 points	1,018.0	10.8 points

(1) Net of reinstatement premiums.

Catastrophe losses of $1,070.4 (8.5 combined ratio points) in 2022 primarily related to Hurricane Ian (with all companies in this reporting segment being affected: $254.4 at Brit, $177.6 at Allied World and $111.4 at Odyssey Group), attritional catastrophe losses (primarily at Odyssey Group), the France hailstorms (primarily impacting Odyssey Group, and to a lesser extent, Allied World) and the Australian floods (principally impacting Allied World and to a lesser extent, Odyssey Group and Brit). The catastrophe losses table above excludes net losses of $67.7 (approximately 84% incurred but not reported losses) in 2022 relating to the Ukraine conflict primarily within the political risk and terrorism lines of business.

Gross premiums written increased by 16.6% in 2022, primarily reflecting record premiums at each operating company within this reporting segment including increased premiums at Odyssey Group (primarily relating to U.S. property reinsurance including a large quota share agreement covering homeowners risks, U.S. casualty reinsurance and U.S. crop insurance), Brit (primarily reflecting growth at Ki Insurance and core insurance lines of business) and Allied World (primarily the North American and Global Markets platforms relating to excess casualty and professional liability, as well as its reinsurance operations).

Net premiums written increased by 25.6% in 2022, primarily reflecting the growth in gross premiums written at each operating company and increased retention at Odyssey Group (primarily related to increased assumed U.S. property reinsurance which was principally retained) and Brit (primarily reflecting reduced use of proportional reinsurance). The increase in net premiums written in 2022 also reflected the impact of Brit's 2021 reinsurance transaction described previously. The increase in net premiums written in 2022 also reflected Brit's purchase of four years of reinsurance protection for a range of U.S. catastrophe perils in the first quarter of 2021 which did not occur in 2022.

Net premiums earned in 2022 increased by 34.7% consistent with the growth in net premiums written during 2022 and 2021 and the impact of Brit's fourth quarter 2021 reinsurance transaction. Gross premiums written and net premiums earned for each operating company in the Global Insurers and Reinsurers reporting segment for 2022 and 2021 are shown in the table below.

	Gross premiums written		Net premiums earned	
	2022	2021	2022	2021
Allied World	6,543.9	5,851.9	4,197.9	3,451.6
Odyssey Group	6,810.0	5,746.3	5,666.3	4,245.9
Brit	3,965.8	3,238.3	2,862.7	1,754.3
Inter-segment eliminations[(1)]	(223.1)	(175.1)	–	–
Global Insurers and Reinsurers	17,096.6	14,661.4	12,726.9	9,451.8

(1) Reflects the elimination of intercompany gross premiums written amongst subsidiaries included within the Global Insurers and Reinsurers reporting segment.

Cash provided by operating activities (excluding operating cash flow activity related to investments recorded at FVTPL) increased to $3,832.0 in 2022 from $2,889.4 in 2021, primarily reflecting increased net premium collections, partially offset by increased net paid losses.

On September 27, 2022 the company increased its ownership interest in Allied World to 82.9% from 70.9% for total consideration of $733.5, inclusive of the fair value of a call option exercised and an accrued dividend paid, and recorded a loss in retained earnings of $228.1 presented within the Corporate and Other reporting segment. During 2022 Allied World paid a dividend of $126.4 to its minority shareholders (2021 – $126.4), excluding the dividend referenced above, and Odyssey Group paid dividends of $65.3 (2021 – nil) to its minority shareholders.

International Insurers and Reinsurers

	2022	2021
Underwriting profit	**13.3**	**40.1**
Loss & LAE – accident year	66.0%	61.1%
Commissions	17.7%	17.9%
Underwriting expenses	21.0%	21.6%
Combined ratio – accident year	104.7%	100.6%
Net favourable development	(5.4)%	(3.1)%
Combined ratio – calendar year	99.3%	97.5%
Gross premiums written	3,178.6	2,853.3
Net premiums written	1,963.1	1,734.2
Net premiums earned	1,829.0	1,613.6
Underwriting profit	13.3	40.1
Interest and dividends	98.8	69.9
Share of profit of associates	52.4	35.7
Operating income	164.5	145.7

International Insurers and Reinsurers, comprised of Fairfax Asia, Fairfax Latin America, Fairfax Central and Eastern Europe, Group Re, Bryte Insurance, and Eurolife's property and casualty insurance operations, provides diverse insurance and reinsurance coverage to its international customers including specialty insurance, treaty and facultative reinsurance and other risk management solutions. For further details of operating subsidiaries refer to note 29 (Subsidiaries) to the consolidated financial statements for the year ended December 31, 2022.

The International Insurers and Reinsurers reporting segment reported an underwriting profit of $13.3 producing a combined ratio of 99.3% in 2022 compared to an underwriting profit of $40.1 and a combined ratio of 97.5% in 2021. The decrease in underwriting profit in 2022 primarily reflected an underwriting loss at Fairfax Latin America compared to an underwriting profit in 2021 (principally due to catastrophe losses in Fairfax Brasil's agricultural business line) and an increased underwriting loss at Bryte Insurance (principally due to catastrophe losses stemming from flooding in the KwaZulu-Natal province of South Africa), partially offset by increased underwriting profit at Fairfax Asia (benefiting from the full year of underwriting profit at Singapore Re) and Fairfax Central and Eastern Europe (primarily at Fairfax Ukraine).

The combined ratios and underwriting profit (loss) for each operating company in the International Insurers and Reinsurers reporting segment for 2022 and 2021 are shown in the table below.

	Combined ratios		Underwriting profit (loss)	
	2022	2021	2022	2021
Fairfax Asia[(1)]	88.6%	91.9%	33.5	20.1
Fairfax Latin America	106.9%	96.2%	(24.3)	11.8
Fairfax Central and Eastern Europe	94.4%	96.3%	24.3	16.7
Group Re	99.4%	98.3%	2.4	4.9
Bryte Insurance	108.2%	104.9%	(23.0)	(13.8)
Eurolife General[(2)]	99.4%	98.7%	0.4	0.4
International Insurers and Reinsurers	99.3%	97.5%	13.3	40.1

(1) On June 17, 2021 the company increased its ownership interest in Singapore Re from 28.2% to 94.0% and commenced consolidating Singapore Re. The company subsequently increased its ownership interest in Singapore Re to 100%.

(2) On July 14, 2021 the company increased its interest in Eurolife to 80.0% from 50.0% and commenced consolidating Eurolife.

The commission expense ratio of 17.7% in 2022 was comparable to the commission expense ratio of 17.9% in 2021. The underwriting expense ratio decreased to 21.0% in 2022 from 21.6% in 2021, primarily reflecting increased net premiums earned relative to modest increases in underwriting expenses.

Net favourable prior year reserve development of $97.9 (5.4 combined ratio points) in 2022 primarily reflected favourable emergence across most operating companies, principally at Fairfax Asia (primarily at Singapore Re related to property and accident lines of business), Fairfax Latin America and Fairfax Central and Eastern Europe (primarily related to motor, health and property lines of business). Net favourable prior year development of $50.5 (3.1 combined ratio points) in 2021 reflected favourable emergence across all operating companies, principally at Fairfax Asia (primarily related to automobile and property lines of business), Fairfax Latin America (primarily across each operating company in Fairfax Latam) and Eurolife General.

Catastrophe losses in the International Insurers and Reinsurers reporting segment for 2022 and 2021 are as set out in the following table:

	2022		2021	
	Losses[1]	Combined ratio impact	Losses[1]	Combined ratio impact
Brazil drought	54.4	3.0	–	–
South Africa floods	18.3	1.0	–	–
Other	12.2	0.6	16.0	1.0
Total catastrophe losses	84.9	4.6 points	16.0	1.0 points

(1) Net of reinstatement premiums.

Gross premiums written increased by 11.4% in 2022, primarily reflecting increases at Fairfax Asia (principally from the consolidation of Singapore Re), Fairfax Latin America (principally due to increases at Fairfax Latam's operating companies Southbridge Chile and La Meridional Argentina, partially offset by decreases at Fairfax Brasil) and at Group Re (across all of Group Re's operating companies), and the consolidation of Eurolife General for a full year. Excluding the consolidations of Singapore Re and Eurolife General, gross premiums written increased by 3.7% in 2022.

Net premiums written increased by 13.2% in 2022 consistent with the growth in gross premiums written. Excluding the consolidations of Singapore Re and Eurolife General, net premiums written increased by 9.3% in 2022, primarily reflecting increased retention at La Meridional Argentina and new business growth at Group Re and Pacific Insurance.

Net premiums earned increased by 13.3% in 2022, principally reflecting the increase in net premiums written. Excluding the consolidations of Singapore Re and Eurolife General, net premiums earned increased by 9.6% in 2022, consistent with the increase in net premiums written.

Gross premiums written and net premiums earned for each operating company in the International Insurers and Reinsurers reporting segment for 2022 and 2021 are shown in the table below.

	Gross premiums written		Net premiums earned	
	2022	2021	2022	2021
Fairfax Asia[1]	746.8	537.0	292.5	249.7
Fairfax Latin America	1,108.2	1,049.0	351.3	311.1
Fairfax Central and Eastern Europe	509.8	543.1	436.1	452.1
Group Re	466.8	352.2	413.3	291.0
Bryte Insurance	382.1	387.7	278.6	279.2
Eurolife General[2]	80.5	35.6	57.2	30.5
Inter-segment eliminations[3]	(115.6)	(51.3)	–	–
International Insurers and Reinsurers	3,178.6	2,853.3	1,829.0	1,613.6

(1) On June 17, 2021 the company increased its ownership interest in Singapore Re from 28.2% to 94.0% and subsequently increased its ownership interest to 100%.

(2) On July 14, 2021 the company increased its interest in Eurolife to 80.0% from 50.0%.

(3) Reflects the elimination of intercompany gross premiums written amongst subsidiaries included within the International Insurers and Reinsurers reporting segment.

Life Insurance and Run-off

	2022			2021		
	Eurolife[(1)]	**Run-off**	**Total**	**Eurolife[(1)]**	**Run-off[(2)]**	**Total**
Gross premiums written	350.9	–	350.9	114.2	358.1	472.3
Net premiums written	344.2	0.5	344.7	110.6	358.1	468.7
Net premiums earned	341.9	0.5	342.4	109.7	358.1	467.8
Losses on claims, net	(251.1)	(140.6)	(391.7)	(81.0)	(576.7)	(657.7)
Operating expenses	(44.5)	(73.5)	(118.0)	(28.6)	(90.5)	(119.1)
Interest and dividends	34.6	21.0	55.6	9.1	10.2	19.3
Share of profit of associates	14.6	41.8	56.4	3.3	13.5	16.8
Operating income (loss)	95.5	(150.8)	(55.3)	12.5	(285.4)	(272.9)

(1) These results differ from those published by Eurolife primarily due to acquisition accounting adjustments recorded by Fairfax related to the consolidation of Eurolife on July 14, 2021 and the presentation of Eurolife's life insurance operations as "Eurolife" in the Life Insurance and Run-off segment in the table above and separate presentation of Eurolife's property and casualty insurance operations within the International Insurers and Reinsurers reporting segment as "Eurolife General".

(2) Effective October 1, 2021 Resolution Group Reinsurance (Barbados) Limited reinsured a portfolio of business written by Crum & Forster, predominantly comprised of property, liability and workers' compensation exposures relating to accident years 2014 and prior ("2021 intercompany reinsurance transaction"). This transaction resulted in Run-off assuming $358.1 of net insurance contract liabilities in exchange for consideration of $358.1 and recorded as an increase in gross premiums written, net premiums written and net premiums earned of $358.1, and losses on claims of $358.1, which were eliminated within Fairfax's consolidated financial reporting.

Eurolife

In the company's segmented reporting, the assets, liabilities and results of operations of Eurolife's life insurance business are reported in Life insurance and Run-off and those of Eurolife's property and casualty insurance business are reported in International Insurers and Reinsurers. The discussion which follows makes reference to Eurolife's life operations.

Gross premiums written of $350.9 in 2022 and $114.2 in 2021 primarily consisted of traditional life insurance policies (endowments, deferred annuities, whole life and term life), group benefits including retirement benefits, and accident and health insurance policies.

Losses on claims, net of $251.1 in 2022 and $81.0 in 2021 primarily consisted of net policy holder benefits and losses on claims. Losses on claims, net in 2022 included decreases in net policy holder benefits resulting from continued rising interest rates in the period.

Eurolife's operating expenses include net commission expense and other underwriting expenses.

Run-off

The Run-off reporting segment was formed with the acquisition of the company's interest in The Resolution Group ("TRG") on August 11, 1999, and currently consists of the U.S. Run-off group, principally consisting of TIG Insurance Company and Resolution Group Reinsurance (Barbados) Limited. The U.S. Run-off group is managed by the dedicated RiverStone Run-off management operation in the U.S. which has 350 employees.

On August 23, 2021 the company sold its 60.0% joint venture interest in RiverStone Barbados to CVC for consideration of $695.7. Refer to the Business Developments section of this MD&A under the heading "Acquisitions and Divestitures" for additional details.

Run-off reported an improved operating loss of $150.8 in 2022 compared to an operating loss of $285.4 in 2021. The decrease in operating losses in 2022 principally reflected decreased net adverse prior year reserve development of $147.2 primarily related to asbestos, pollution and other hazards reserves in 2022 compared to $224.6 in 2021 and increased share of profit of associates and increased interest and dividends.

During 2022 the holding company made cash contributions of $240.0 (2021 – $93.6) to Run-off to augment its capital.

Run-off's cash flows may be volatile as to timing and amount, with potential variability arising principally from timing delays between when gross claims are paid and the subsequent collection from third party reinsurers. Further delays may occur while assets pledged to secure the payment of claims are released subsequent to the initial payment.

Non-insurance companies

	2022					2021				
	Restaurants and retail(1)	Fairfax India(2)	Thomas Cook India(3)	Other(4)	Total(5)	Restaurants and retail(1)	Fairfax India(2)	Thomas Cook India(3)	Other(4)	Total(5)
Revenue	1,710.3	216.7	611.0	3,043.6	5,581.6	1,803.8	228.2	249.4	2,876.1	5,157.5
Expenses	(1,582.2)	(208.1)	(600.8)	(3,129.8)	(5,520.9)	(1,724.8)	(206.9)	(293.4)	(2,867.0)	(5,092.1)
Pre-tax income (loss) before interest expense and other	128.1	8.6	10.2	(86.2)	60.7	79.0	21.3	(44.0)	9.1	65.4
Interest and dividends	9.9	21.4	–	(4.7)	26.6	7.5	(102.2)	(0.1)	0.1	(94.7)
Share of profit (loss) of associates	(0.1)	132.0	0.3	1.8	134.0	–	20.2	(0.1)	2.2	22.3
Operating income (loss)	137.9	162.0	10.5	(89.1)	221.3	86.5	(60.7)	(44.2)	11.4	(7.0)

(1) Comprised primarily of Recipe, Golf Town, Sporting Life and Toys "R" Us Canada (deconsolidated on August 19, 2021).

(2) Comprised of Fairfax India and its subsidiaries. These results differ from those published by Fairfax India primarily due to Fairfax India's application of investment entity accounting under IFRS.

(3) Comprised of Thomas Cook India and its subsidiary Sterling Resorts. These results differ from those published by Thomas Cook India primarily due to differences between IFRS and Ind AS, and acquisition accounting adjustments.

(4) Comprised primarily of AGT, Dexterra Group, Boat Rocker, Farmers Edge, Grivalia Hospitality (consolidated on July 5, 2022) and Mosaic Capital (deconsolidated on August 5, 2021).

(5) Amounts as presented in note 25 (Segmented Information) to the consolidated financial statements for the year ended December 31, 2022.

For details of acquisition and divestiture transactions, refer to the Business Developments section of this MD&A under the heading "Acquisitions and Divestitures".

Restaurants and retail

The decrease in revenue and expenses of Restaurants and retail in 2022 primarily reflected the deconsolidation of Toys "R" Us Canada on August 19, 2021, lower business volumes at Golf Town and the impact of the weakening of the Canadian dollar relative to the U.S. dollar (measured using average foreign exchange rates) by 3.7% in 2022, partially offset by higher business volumes across most other operating companies, principally due to reduced COVID-19 related restrictions in 2022 compared to 2021.

Fairfax India

Fairfax India's revenue decreased modestly in 2022 primarily reflecting the deconsolidation of Privi, lower business volumes at NCML and the impact of the weakening of the Indian rupee relative to the U.S. dollar (measured using average foreign exchange rates) by 5.9% in 2022, partially offset by the consolidations of Jaynix and Maxop, and higher business volumes at Saurashtra Freight and Fairchem. Fairfax India's expenses remained relatively flat in 2022, principally reflecting the same factors as noted above in revenue, as well as lower margins at Fairchem and Saurashtra Freight.

Fairfax India's interest and dividends include the impacts of performance fee payable to Fairfax. Interest and dividend income of $21.4 in 2022 primarily reflected a reversal of a performance fee payable to Fairfax of $36.4, dividend income earned on common stocks and interest income on bonds, partially offset by investment management fees payable to Fairfax. Interest and dividend expense of $102.2 in 2021 included an accrual of a performance fee payable to Fairfax of $85.2. The investment management fees, performance fee payable and reversal of payable represented intercompany transactions that were eliminated on consolidation.

At December 31, 2022 the holding company had a performance fee receivable of $41.5 pursuant to its investment advisory agreement with Fairfax India for the period from January 1, 2021 to December 31, 2023. For additional details refer to note 28 (Related Party Transactions) to the consolidated financial statements for the year ended December 31, 2022.

Thomas Cook India

Thomas Cook India reported significant increases in revenue and expenses in 2022 primarily reflecting higher business volumes resulting from continued easing of COVID-19 related travel restrictions, and increased domestic and international travel (Sterling Resorts also contributed to these results with its resorts fully operational and at a higher occupancy rate in 2022), partially offset by the impact of the weakening of the Indian rupee relative to the U.S. dollar (measured using average foreign exchange rates) by 5.9% in 2022.

Other

The Other operating segment's revenue and expenses increased in 2022 primarily reflecting higher business volumes at AGT and an increase in revenue and expenses at Dexterra Group principally driven by local acquisitions in the first quarter of 2022 and organic growth, partially offset by decreased business volumes at Boat Rocker and the deconsolidation of Mosaic Capital. The increase in expenses of Other in 2022 also reflected non-cash goodwill impairment charges on Farmers Edge of $133.4.

Interest and Dividends

An analysis of interest and dividends is presented in the Investments section of this MD&A.

Share of Profit (Loss) of Associates

An analysis of share of profit (loss) of associates is presented in the Investments section of this MD&A.

Net Gains (Losses) on Investments

An analysis of consolidated net gains (losses) on investments is provided in the Investments section of this MD&A.

Interest Expense

Consolidated interest expense as presented in the consolidated statement of earnings was comprised as follows:

	2022	2021
Interest expense on borrowings:		
Holding company	257.1	305.2
Insurance and reinsurance companies	59.0	51.6
Non-insurance companies[(1)]	89.8	99.2
	405.9	456.0
Interest expense on lease liabilities:[(2)]		
Holding company and insurance and reinsurance companies	13.9	16.8
Non-insurance companies	33.0	41.1
	46.9	57.9
Interest expense	452.8	513.9

(1) Borrowings and related interest expense of the non-insurance companies are non-recourse to the holding company.

(2) Represents accretion of lease liabilities using the effective interest method.

The decrease in interest expense on borrowings at the holding company in 2022 principally reflected the loss of $45.7 recorded in 2021 on redemptions of the $353.5 (Cdn$446.0) principal amount of 5.84% unsecured senior notes due 2022 and the $317.1 (Cdn$400.0) principal amount of 4.50% unsecured senior notes due 2023, and the redemption in October 2021 of $85.0 principal amount 4.142% unsecured senior notes due 2024, partially offset by the issuances in August 2022 of the $750.0 principal amount of 5.625% unsecured senior notes due 2032, and in March 2021 of the $671.6 (Cdn$850.0) principal amount of 3.95% unsecured senior notes due 2031 and the $600.0 principal amount of 3.375% unsecured senior notes due 2031.

The interest expense on borrowings at the insurance and reinsurance companies marginally increased in 2022 principally reflecting the accretion of the redemption liability related to the non-controlling interests in Eurolife and higher interest expense at Brit on its revolving credit facility, partially offset by the redemption of Odyssey Group's unsecured senior notes on March 15, 2021 and June 15, 2021.

The modest decrease in interest expense on borrowings at the non-insurance companies in 2022 principally reflected lower accretion of certain redemption liabilities primarily at Boat Rocker, the deconsolidation of borrowings of Privi on April 29, 2021, Toys "R" Us Canada on August 19, 2021 and Mosaic Capital on August 5, 2021, settlement of Farmers Edge debt on March 3, 2021 as part of its initial public offering, decreased borrowings at Recipe on its revolving credit facility and decreased interest expense at Fairfax India (primarily due to lower amortization of issuance costs), partially offset by higher interest expense at Dexterra and Boat Rocker due to increased borrowings and higher interest rates year over year.

Interest expense by reporting segment is set out in the Net Earnings by Reporting Segment section of this MD&A.

For details of the company's borrowings refer to note 15 (Borrowings) to the consolidated financial statements for the year ended December 31, 2022.

Corporate Overhead and Other

Corporate overhead and other primarily consists of the expenses of all of the group holding companies (corporate overhead), net of investment management and administration fees earned by the holding company, interest and dividends earned on holding company cash and investments and holding company share of (profit) loss of associates.

	2022	2021
Fairfax corporate overhead	144.5	206.6
Subsidiary holding companies' corporate overhead	60.7	61.7
Subsidiary holding companies' non-cash intangible asset amortization and goodwill impairment charges(1)	91.5	140.7
Corporate overhead(2)	296.7	409.0
Holding company interest and dividends	(9.6)	(24.6)
Holding company share of profit of associates	(102.8)	(38.8)
Investment management and administration fee income and other(3)	(124.4)	(255.9)
	59.9	89.7

(1) Non-cash intangible asset amortization is principally related to customer and broker relationships.

(2) Presented as consolidated corporate overhead in note 25 (Segmented Information) to the consolidated financial statements for the year ended December 31, 2022.

(3) Presented as a consolidation elimination in note 25 (Segmented Information) to the consolidated financial statements for the year ended December 31, 2022.

Fairfax corporate overhead decreased to $144.5 in 2022 from $206.6 in 2021, primarily reflecting decreases in employee compensation expenses and charitable donations, partially offset by increased office and general expenses.

Subsidiary holding companies' corporate overhead slightly decreased to $60.7 in 2022 from $61.7 in 2021, primarily reflecting lower net costs related to insurance agents and brokers and a reversal of impairment charge on premises and equipment, partially offset by increased office and general expenses and increased audit fees related to the implementation of IFRS 17.

Subsidiary holding companies' non-cash intangible asset amortization and goodwill impairment charges decreased to $91.5 in 2022 from $140.7 in 2021, primarily due to the inclusion in 2021 of non-cash goodwill impairment charges of $48.2 (primarily related to Run-off). Intangible asset amortization charges of $91.5 (2021 – $92.5) were primarily at Allied World and Crum & Forster.

Investment management and administration fee income and other of $124.4 in 2022 (2021 – $255.9) were primarily comprised of investment and administration fees of $124.6 (2021 – $256.6) earned from the insurance and reinsurance subsidiaries, partially offset by consolidation eliminations. The decrease in investment and administration fee income in 2022 primarily reflected the change in the performance fee receivable from Fairfax India (reversal of a $36.4 receivable in 2022 compared to a receivable of $85.2 in 2021).

At December 31, 2022 the performance fee receivable of $41.5 was accrued by the company pursuant to its investment advisory agreement with Fairfax India whereby the company receives a performance fee, if any, as the increase in Fairfax India's book value per share (common shareholders' equity divided by the number of common shares effectively outstanding) over the period from January 1, 2021 to December 31, 2023 exceeds a specified threshold.

Interest and dividends, share of profit (loss) of associates and net gains (losses) on investments attributable to the Corporate and Other reporting segment are set out in the Investments section of this MD&A.

Income Taxes

The company's effective income tax rate in 2022 of 24.8% (provision for income taxes of $425.2) was lower than the company's Canadian statutory income tax rate of 26.5% primarily due to income taxed at rates lower than the Canadian statutory income tax rate (principally in the U.S., Mauritius and Barbados), non-taxable investment income (principally comprised of dividend income, non-taxable interest income, the 50% of net capital gains which are not taxable in Canada and share of profit of associates in certain jurisdictions) and foreign exchange (principally related to Canadian holding companies where tax returns are filed in Canadian dollars but the holding companies are U.S. dollar functional currency, with the U.S. dollar strengthened relative to the Canadian dollar), partially offset by permanent differences (principally related to a non-cash goodwill impairment charge on Farmers Edge).

The company's effective income tax rate in 2021 of 16.5% (provision for income taxes of $726.0) was lower than the company's Canadian statutory income tax rate of 26.5% primarily due to income taxed at rates lower than the Canadian statutory income tax rate (principally in Asia, the U.S., Barbados, the U.K. and at Allied World) and non-taxable investment income (principally comprised of dividend income, non-taxable interest income, the 50% of net capital gains which are not taxable in Canada and share of profit of associates in certain jurisdictions), partially offset by the non-recognition of the tax benefit of losses and temporary differences (principally related to unrecorded deferred tax assets in Canada and the U.S., partially offset by the recognition of previously unrecorded deferred tax assets in the U.K. and at Allied World) and permanent differences.

For details refer to note 18 (Income Taxes) to the consolidated financial statements for the year ended December 31, 2022.

Non-controlling Interests

Non-controlling interests principally related to Fairfax India, Allied World, Brit, Odyssey Group and Recipe. For details refer to note 16 (Total Equity) to the consolidated financial statements for the year ended December 31, 2022.

Balance Sheets by Reporting Segment

The company's segmented balance sheets as at December 31, 2022 and 2021 present the assets and liabilities of, and the capital invested by the company in, each of the company's reporting segments. The segmented balance sheets have been prepared on the following basis:

(a) The balance sheet for each reporting segment is on a legal entity basis for the subsidiaries within that segment, in accordance with Fairfax's IFRS accounting policies and includes, where applicable, acquisition accounting adjustments principally related to goodwill and intangible assets which arose on initial acquisition of the subsidiaries or on a subsequent step acquisition.

(b) Certain of the company's subsidiaries held equity interests in other Fairfax subsidiaries ("Fairfax affiliates") at December 31, 2022. These investments in Fairfax affiliates are carried at cost and are disclosed in the table below. Affiliated insurance and reinsurance balances, including premiums receivable (included in insurance contracts receivable), deferred premium acquisition costs, recoverable from reinsurers, insurance contract payables, provision for losses and loss adjustment expenses and provision for unearned premiums, are not shown separately but are eliminated within the respective reporting segments and in "Corporate and eliminations".

(c) Corporate and eliminations includes the Fairfax holding company and its subsidiary intermediate holding companies, and the consolidating and eliminating entries required under IFRS to prepare consolidated financial statements. The most significant of those entries are derived from the elimination of intercompany reinsurance (primarily consisting of reinsurance provided by Group Re and reinsurance between Odyssey Group and Allied World and the primary insurers), which affects recoverable from reinsurers, provision for losses and loss adjustment expenses and unearned premiums. Borrowings within Corporate and eliminations of $5,894.6 at December 31, 2022 (December 31, 2021 – $5,346.1) primarily consisted of Fairfax holding company borrowings of $5,887.6 (December 31, 2021 – $5,338.6).

	Equity interests in Fairfax affiliates at December 31, 2022					
	North American Insurers	**Global Insurers and Reinsurers**	**International Insurers and Reinsurers**	**Life insurance and Run-off**	**Corporate & Other**	**Consolidated**
Investments in insurance and reinsurance affiliates[(1)(2)]						
Zenith National	2.0%	6.1%	–	–	91.9%	100.0%
TRG (Run-off)	–	–	31.5%	–	68.5%	100.0%
Singapore Re	–	8.8%	91.2%	–	–	100.0%
Investments in non-insurance affiliates[(3)]						
Thomas Cook India	4.3%	20.7%	0.8%	2.4%	45.1%	73.3%
Fairfax India	6.0%	18.8%	3.6%	–	6.3%	34.7%
Recipe	29.3%	41.7%	1.7%	0.3%	2.7%	75.7%
Boat Rocker	34.3%	5.9%	4.7%	–	–	44.9%
AGT	17.0%	24.1%	–	–	18.5%	59.6%
Dexterra Group	5.3%	30.9%	–	3.4%	9.1%	48.7%
Farmers Edge	28.6%	22.9%	9.8%	–	–	61.3%
Grivalia Hospitality	9.6%	28.3%	–	40.5%	–	78.4%

(1) This table excludes subsidiaries where the company's equity interest is entirely held by the holding company including Northbridge, Odyssey Group, Crum & Forster, Brit, Allied World, Fairfax Asia, Fairfax Brasil, Fairfax Latam, Bryte Insurance, Polish Re, Colonnade Insurance, Fairfax Ukraine and Eurolife.

(2) Investments in insurance and reinsurance affiliates are reported in investments in Fairfax insurance and reinsurance affiliates on the segmented balance sheet.

(3) Investments in non-insurance affiliates are reported in portfolio investments on the segmented balance sheet.

Segmented Balance Sheet as at December 31, 2022

	Property and Casualty Insurance and Reinsurance							
	North American Insurers	Global Insurers and Reinsurers	International Insurers and Reinsurers	Total	Life insurance and Run-off	Non-insurance companies	Corporate and eliminations[4]	Consolidated
Assets								
Holding company cash and investments	110.7	205.9	–	316.6	–	–	1,029.2	1,345.8
Insurance contract receivables	1,374.8	5,839.7	1,096.4	8,310.9	28.2	–	(431.6)	7,907.5
Portfolio investments[1]	12,714.6	30,808.2	5,516.0	49,038.8	4,275.4	2,119.3	(1,110.6)	54,322.9
Deferred premium acquisition costs	498.8	1,471.7	230.8	2,201.3	7.5	–	(38.5)	2,170.3
Recoverable from reinsurers	2,175.7	9,768.7	2,153.5	14,097.9	517.5	–	(1,499.6)	13,115.8
Deferred income tax assets	129.8	155.6	51.9	337.3	25.6	54.5	74.7	492.1
Goodwill and intangible assets	800.8	2,410.4	185.6	3,396.8	7.5	2,284.4	0.3	5,689.0
Due from affiliates	193.3	10.9	2.1	206.3	364.1	–	(570.4)	–
Other assets	637.0	861.0	276.0	1,774.0	832.6	4,153.2	321.9	7,081.7
Investments in Fairfax insurance and reinsurance affiliates[2]	29.4	102.8	34.9	167.1	29.3	–	(196.4)	–
Total assets	18,664.9	51,634.9	9,547.2	79,847.0	6,087.7	8,611.4	(2,421.0)	92,125.1
Liabilities								
Accounts payable and accrued liabilities	878.1	1,169.9	256.9	2,304.9	263.1	2,430.7	216.5	5,215.2
Derivative obligations	5.6	107.4	0.5	113.5	–	58.2	19.3	191.0
Due to affiliates	6.6	2.9	7.0	16.5	0.4	82.4	(99.3)	–
Deferred income tax liabilities	–	19.2	205.8	225.0	18.5	252.4	0.8	496.7
Insurance contract payables	521.2	3,567.3	751.2	4,839.7	688.4	–	(466.2)	5,061.9
Provision for losses and loss adjustment expenses[3]	8,564.0	25,870.8	3,096.9	37,531.7	4,300.9	–	(1,343.0)	40,489.6
Provision for unearned premiums[3]	2,876.2	7,654.2	1,313.6	11,844.0	18.2	–	(152.2)	11,710.0
Borrowings	38.3	695.1	–	733.4	–	1,996.9	5,894.6	8,624.9
Total liabilities	12,890.0	39,086.8	5,631.9	57,608.7	5,289.5	4,820.6	4,070.5	71,789.3
Equity								
Shareholders' equity attributable to shareholders of Fairfax	5,774.9	12,173.6	3,846.8	21,795.3	798.2	3,664.1	(9,581.4)	16,676.2
Non-controlling interests	–	374.5	68.5	443.0	–	126.7	3,089.9	3,659.6
Total equity	5,774.9	12,548.1	3,915.3	22,238.3	798.2	3,790.8	(6,491.5)	20,335.8
Total liabilities and total equity	18,664.9	51,634.9	9,547.2	79,847.0	6,087.7	8,611.4	(2,421.0)	92,125.1
Capital								
Borrowings	38.3	695.1	–	733.4	–	1,996.9	5,894.6	8,624.9
Investments in Fairfax affiliates	692.4	1,317.9	146.8	2,157.1	276.2	–	(2,433.3)	–
Shareholders' equity attributable to shareholders of Fairfax	5,082.5	9,311.1	3,718.4	18,112.0	522.0	2,100.4	(4,058.2)	16,676.2
Non-controlling interests	–	1,919.1	50.1	1,969.2	–	1,690.4	–	3,659.6
Total capital	5,813.2	13,243.2	3,915.3	22,971.7	798.2	5,787.7	(596.9)	28,960.7
% of consolidated total capital	20.1%	45.7%	13.5%	79.3%	2.8%	20.0%	(2.1)%	100.0%

(1) Includes intercompany investments in Fairfax non-insurance subsidiaries carried at cost that are eliminated on consolidation.

(2) Intercompany investments in Fairfax insurance and reinsurance subsidiaries carried at cost that are eliminated on consolidation.

(3) Included in insurance contract liabilities on the consolidated balance sheet.

(4) Corporate and eliminations includes the Fairfax holding company, subsidiary intermediate holding companies, and consolidating and eliminating entries. The most significant of those entries are the elimination of intercompany reinsurance provided by Group Re, and reinsurance provided by Odyssey Group and Allied World to affiliated primary insurers.

Segmented Balance Sheet as at December 31, 2021

	Property and Casualty Insurance and Reinsurance							
	North American Insurers	**Global Insurers and Reinsurers**	**International Insurers and Reinsurers**	**Total**	**Life insurance and Run-off**	**Non-insurance companies**	**Corporate and eliminations[4]**	**Consolidated**
Assets								
Holding company cash and investments	93.5	511.0	–	604.5	–	–	873.8	1,478.3
Insurance contract receivables	1,273.4	4,998.1	944.0	7,215.5	7.8	–	(340.1)	6,883.2
Portfolio investments[1]	11,688.5	27,922.6	5,450.7	45,061.8	4,963.9	2,252.8	(581.1)	51,697.4
Deferred premium acquisition costs	441.1	1,299.1	210.4	1,950.6	3.8	–	(30.3)	1,924.1
Recoverable from reinsurers	2,039.1	8,588.6	2,432.6	13,060.3	457.6	–	(1,427.4)	12,090.5
Deferred income tax assets	153.9	69.8	44.5	268.2	29.0	66.9	158.3	522.4
Goodwill and intangible assets	898.3	2,476.5	204.7	3,579.5	7.5	2,341.2	–	5,928.2
Due from affiliates	213.6	16.2	1.5	231.3	360.2	–	(591.5)	–
Other assets	587.9	864.6	293.5	1,746.0	810.0	3,195.5	369.8	6,121.3
Investments in Fairfax insurance and reinsurance affiliates[2]	29.4	102.8	35.0	167.2	29.3	–	(196.5)	–
Total assets	17,418.7	46,849.3	9,616.9	73,884.9	6,669.1	7,856.4	(1,765.0)	86,645.4
Liabilities								
Accounts payable and accrued liabilities	724.7	1,191.5	233.7	2,149.9	233.4	2,077.4	524.7	4,985.4
Derivative obligations	4.6	67.9	–	72.5	–	47.9	32.5	152.9
Due to affiliates	3.4	10.9	14.5	28.8	0.2	135.1	(164.1)	–
Deferred income tax liabilities	–	95.7	226.5	322.2	72.9	198.5	5.2	598.8
Insurance contract payables	447.9	3,043.7	717.0	4,208.6	652.0	–	(367.1)	4,493.5
Provision for losses and loss adjustment expenses[3]	7,777.5	22,308.3	3,295.6	33,381.4	4,806.1	–	(1,295.2)	36,892.3
Provision for unearned premiums[3]	2,555.1	6,796.3	1,213.4	10,564.8	16.5	–	(127.1)	10,454.2
Borrowings	38.3	752.4	–	790.7	–	1,616.2	5,346.1	7,753.0
Total liabilities	11,551.5	34,266.7	5,700.7	51,518.9	5,781.1	4,075.1	3,955.0	65,330.1
Equity								
Shareholders' equity attributable to shareholders of Fairfax	5,867.2	12,348.4	3,839.5	22,055.1	888.0	3,690.8	(10,248.8)	16,385.1
Non-controlling interests	–	234.2	76.7	310.9	–	90.5	4,528.8	4,930.2
Total equity	5,867.2	12,582.6	3,916.2	22,366.0	888.0	3,781.3	(5,720.0)	21,315.3
Total liabilities and total equity	17,418.7	46,849.3	9,616.9	73,884.9	6,669.1	7,856.4	(1,765.0)	86,645.4
Capital								
Borrowings	38.3	752.4	–	790.7	–	1,616.2	5,346.1	7,753.0
Investments in Fairfax affiliates	709.9	1,069.3	162.5	1,941.7	76.5	–	(2,018.2)	–
Shareholders' equity attributable to shareholders of Fairfax	5,157.3	8,984.4	3,695.5	17,837.2	811.5	1,782.5	(4,046.1)	16,385.1
Non-controlling interests	–	2,528.9	58.2	2,587.1	–	1,998.8	344.3	4,930.2
Total capital	5,905.5	13,335.0	3,916.2	23,156.7	888.0	5,397.5	(373.9)	29,068.3
% of consolidated total capital	20.3%	45.9%	13.5%	79.7%	3.1%	18.6%	(1.4)%	100.0%

(1) Includes intercompany investments in Fairfax non-insurance subsidiaries carried at cost that are eliminated on consolidation.

(2) Intercompany investments in Fairfax insurance and reinsurance subsidiaries carried at cost that are eliminated on consolidation.

(3) Included in insurance contract liabilities on the consolidated balance sheet.

(4) Corporate and eliminations includes the Fairfax holding company, subsidiary intermediate holding companies, and consolidating and eliminating entries. The most significant of those entries are the elimination of intercompany reinsurance provided by Group Re, and reinsurance provided by Odyssey Group and Allied World to affiliated primary insurers.

Components of Consolidated Balance Sheets

Consolidated Balance Sheet Summary

Changes to the assets and liabilities on the company's consolidated balance sheet at December 31, 2022 compared to December 31, 2021 were primarily due to the consolidation of Grivalia Hospitality on July 5, 2022, increased business volumes at the property and casualty insurance and reinsurance companies and net proceeds received from the sale of Crum & Forster's Pet Insurance Group and Pethealth.

Holding company cash and investments decreased to $1,345.8 ($1,326.4 net of $19.4 of holding company derivative obligations) at December 31, 2022 from $1,478.3 at December 31, 2021 ($1,446.2 net of $32.1 of holding company derivative obligations). Significant cash transactions at the holding company in 2022 are set out in the Financial Condition section of this MD&A under the heading "Liquidity".

Insurance contract receivables increased by $1,024.3 to $7,907.5 at December 31, 2022 from $6,883.2 at December 31, 2021 primarily reflecting increased insurance and reinsurance premiums receivable due to increased business volumes and the normal lag in the associated premium collection, principally at the companies in the Global Insurers and Reinsurers reporting segment.

Portfolio investments comprise investments carried at fair value and equity accounted investments, the aggregate carrying value of which was $54,322.9 at December 31, 2022 ($54,151.3 net of subsidiary derivative obligations) compared to an aggregate carrying value at December 31, 2021 of $51,697.4 ($51,576.6 net of subsidiary derivative obligations). The increase of $2,574.7 principally reflected share of profit of associates of $1,014.7, interest and dividends earned by the property and casualty insurance and reinsurance companies of $746.1, and the proceeds received of $250.0 in debentures on the sale of Crum & Forster's Pet Insurance Group and Pethealth, partially offset by net unrealized losses on bonds and common stocks, and foreign currency net losses on investments, in addition to the specific factors which caused movements in portfolio investments as discussed in the paragraphs that follow.

Subsidiary cash and short term investments (including cash and short term investments pledged for derivative obligations) decreased by $12,399.1, primarily reflecting net investments of existing cash and the proceeds from sales and maturities of U.S. treasury and Canadian provincial short term investments into bonds as described in the paragraph that follows.

Bonds (including bonds pledged for derivative obligations) increased by $14,467.0, primarily reflecting net purchases of U.S. treasury and Canadian government bonds, first mortgage loans and short-dated high quality corporate bonds, and debentures received on the sale of Crum & Forster's Pet Insurance Group and Pethealth, partially offset by net unrealized losses.

Common stocks decreased by $541.7 primarily reflecting net unrealized losses and the commencement of the equity method of accounting for Stelco on August 31, 2022.

Investments in associates increased by $1,329.9 primarily reflecting share of profit of associates of $1,014.7, the commencement of the equity method of accounting for Stelco and additional investments in Atlas common shares (through the exercise of equity warrants with a strike price of $8.05 and purchases of Atlas common shares held through AVLNs entered with RiverStone Barbados), partially offset by share of other comprehensive loss of associates (principally foreign currency losses), the recognition of distributions and dividends from associates and joint ventures and the consolidation of Grivalia Hospitality (previously equity accounted).

Derivatives and other invested assets, net of derivative obligations, decreased by $213.5 primarily reflecting the exercise of Atlas equity warrants with a strike price of $8.05 and net sales of investment property, partially offset by higher net receivables from counterparties on long equity total return swaps, including long equity total return swaps on Fairfax subordinate voting shares.

Recoverable from reinsurers increased by $1,025.3 to $13,115.8 at December 31, 2022 from $12,090.5 at December 31, 2021 primarily reflecting increased business volumes (principally at Allied World, Crum & Forster and Brit) and U.S. crop losses ceded to reinsurers at Odyssey Group, partially offset by the settlement of a fronting claim at Fairfax Latam's operating company Southbridge Chile.

Deferred income tax assets decreased by $30.3 to $492.1 at December 31, 2022 from $522.4 at December 31, 2021 primarily reflecting the utilization of foreign tax credits in the U.S., partially offset by an increase in temporary differences in the U.S. due to net unrealized losses on investments.

Goodwill and intangible assets decreased by $239.2 to $5,689.0 at December 31, 2022 from $5,928.2 at December 31, 2021 primarily reflecting the weakening of the Canadian dollar relative to the U.S. dollar, non-cash goodwill impairment charges of $133.4 on Farmers Edge, the amortization of intangible assets and the deconsolidation of Crum & Forster's Pet Insurance Group and Pethealth, partially offset by the consolidations of Grivalia Hospitality and Fairfax India's subsidiaries Maxop and Jaynix, and intangible asset additions. The allocation by operating segment at December 31, 2022 of goodwill of $2,927.5 and intangible assets of $2,761.5 (December 31, 2021 – $3,084.8 and $2,843.4), is described in note 12 (Goodwill and Intangible Assets) to the consolidated financial statements for the year ended December 31, 2022. Impairment tests for goodwill and indefinite-lived intangible assets were completed during 2022 and it was concluded that no significant impairments had occurred, other than non-cash goodwill impairment charges on Farmers Edge as described above.

Other assets increased by $960.4 to $7,081.7 at December 31, 2022 from $6,121.3 at December 31, 2021 primarily reflecting the consolidations of Grivalia Hospitality and Fairfax India's subsidiaries Maxop and Jaynix, increases in inventories and other revenue receivables at the non-insurance companies, higher pension surplus at the insurance and reinsurance companies and higher accrued interest and dividends related to higher interest income in 2022, partially offset by decreased receivables for securities sold but not yet settled.

Accounts payable and accrued liabilities increased by $229.8 to $5,215.2 at December 31, 2022 from $4,985.4 at December 31, 2021 primarily due to the consolidation of Grivalia Hospitality, higher payables related to cost of sales at the non-insurance companies related to growth in business volumes, higher deferred revenue due to additional production contracts at Boat Rocker, higher payables for securities purchased but not yet settled and increased income taxes payable, partially offset by decreased lease liabilities (primarily reflecting payments made) and decreased pension and post retirement liabilities.

Deferred income tax liabilities decreased by $102.1 to $496.7 at December 31, 2022 from $598.8 at December 31, 2021 principally due to net unrealized losses on investments at Eurolife and Allied World.

Insurance contract payables increased by $568.4 to $5,061.9 at December 31, 2022 from $4,493.5 at December 31, 2021 primarily reflecting an increase in other insurance contract payables at Odyssey Group (principally related to its U.S. crop insurance business) and increased life liabilities at Eurolife (principally payables associated with unit-linked insurance products).

Provision for losses and loss adjustment expenses increased by $3,896.4 to $38,319.2 at December 31, 2022 from $34,422.8 at December 31, 2021 primarily reflecting increased business volumes (principally at Allied World, Odyssey Group, Brit, Northbridge and Crum & Forster) and catastrophe losses, partially offset by the strengthening of the U.S. dollar relative to the company's reserves denominated in other currencies (primarily the Canadian dollar, British pound, euro and Argentinian peso), Run-off's continued progress settling its claims liabilities, the settlement of claims at Fairfax Latam (at Southbridge Chile related to the 2019 Chilean riots) and net favourable prior year reserve development.

Non-controlling interests decreased by $1,270.6 to $3,659.6 at December 31, 2022 from $4,930.2 at December 31, 2021 primarily reflecting net changes in capitalization ($1,070.9, principally related to the acquisition of the non-controlling interests in Allied World, the privatization of Recipe and the purchase of certain securities held through AVLNs entered with RiverStone Barbados, partially offset by a third party's investment in Brit's subsidiary Ki Insurance), dividends paid to non-controlling interests ($263.2, primarily dividends paid by Allied World, Odyssey Group and Brit to their minority shareholders) and non-controlling interests' share of other comprehensive losses ($198.3), partially offset by non-controlling interests' share of net earnings ($139.6) and the acquisition of subsidiaries ($111.5, principally related to the consolidation of Grivalia Hospitality). For further details refer to note 16 (Total Equity) and note 23 (Acquisitions and Divestitures) to the consolidated financial statements for the year ended December 31, 2022.

Comparison of 2021 to 2020 – Total assets and total liabilities increased to $86,645.4 and $65,330.1 at December 31, 2021 from $74,054.0 and $56,526.7 at December 31, 2020 primarily reflecting increased business volumes at the property and casualty insurance and reinsurance companies, net unrealized gains on equity and equity-related holdings and the company's investment in Digit compulsory convertible preferred shares, and the consolidations of Eurolife on July 14, 2021 and Singapore Re on June 17, 2021, partially offset by the deconsolidation of Fairfax India's subsidiary Privi on April 29, 2021, Mosaic Capital on August 5, 2021, and Toys "R" Us Canada on August 19, 2021. Refer to note 23 (Acquisitions and Divestitures) to the consolidated financial statements for the year ended December 31, 2022 for additional details.

Provision for Losses and Loss Adjustment Expenses

Since 1985, in order to ensure so far as possible that the company's provision for losses and loss adjustment expenses ("LAE") (often called "loss reserves" or "provision for claims") is adequate, management has established procedures so that the provision for losses and loss adjustment expenses at the company's property and casualty insurance and reinsurance operations and Life insurance and Run-off are subject to several reviews. The reserves are reviewed separately by, and must be acceptable to, internal actuaries at each operating company and the company's Chief Actuary. Additionally, independent actuaries are periodically engaged to review an operating company's reserves or reserves for certain lines of business.

The tables below present the company's property and casualty insurance and reinsurance companies and Run-off's gross provision for losses and loss adjustment expenses, by segment and line of business:

December 31, 2022

	Property and Casualty Insurance and Reinsurance						
	North American Insurers	Global Insurers and Reinsurers	International Insurers and Reinsurers	Total	Run-off	Corporate and Other	Consolidated[1]
Property	735.5	5,579.9	1,196.7	7,512.1	40.4	–	7,552.5
Casualty	7,487.5	18,625.5	984.1	27,097.1	1,255.9	–	28,353.0
Specialty	308.0	1,515.5	589.3	2,412.8	0.9	–	2,413.7
	8,531.0	25,720.9	2,770.1	37,022.0	1,297.2	–	38,319.2
Intercompany	33.0	149.9	326.8	509.7	833.3	(1,343.0)	–
Provision for losses and LAE	8,564.0	25,870.8	3,096.9	37,531.7	2,130.5	(1,343.0)	38,319.2

(1) Excludes Eurolife's provision for life policy benefits of $2,170.4.

December 31, 2021

	Property and Casualty Insurance and Reinsurance						
	North American Insurers	Global Insurers and Reinsurers	International Insurers and Reinsurers	Total	Run-off	Corporate and Other	Consolidated[1]
Property	661.3	4,579.4	1,530.3	6,771.0	43.9	–	6,814.9
Casualty	6,844.2	16,204.5	989.0	24,037.7	1,375.6	–	25,413.3
Specialty	264.0	1,391.2	538.5	2,193.7	0.9	–	2,194.6
	7,769.5	22,175.1	3,057.8	33,002.4	1,420.4	–	34,422.8
Intercompany	8.0	133.2	237.8	379.0	916.2	(1,295.2)	–
Provision for losses and LAE	7,777.5	22,308.3	3,295.6	33,381.4	2,336.6	(1,295.2)	34,422.8

(1) Excludes Eurolife's provision for life policy benefits of $2,469.5.

In the ordinary course of carrying on business, the company's property and casualty insurance and reinsurance and Run-off operations may pledge their own assets as security for their own obligations to pay claims or to make premium (and accrued interest) payments. Circumstances where assets may be pledged (either directly or to support letters of credit) include: regulatory deposits (such as with U.S. states for workers' compensation business); deposits of funds at Lloyd's in support of London market underwriting; and by a non-admitted company under U.S. insurance regulations as security for claims assumed or to support funds withheld obligations. Generally, the pledged assets are released as the underlying payment obligation is fulfilled. Cash and investments pledged by the company's subsidiaries at December 31, 2022 of $7.3 billion, as described in note 5 (Cash and Investments) to the consolidated financial statements for the year ended December 31, 2022, represented the aggregate amount at that date that had been pledged in the ordinary course of business to support each pledging subsidiary's respective obligations (these pledges do not involve the cross-collateralization by one subsidiary of another subsidiary's obligations).

The provision for losses is established by the company's insurance companies using the case method when claims are initially reported. The provisions are subsequently adjusted as additional information on the estimated ultimate amount of a claim becomes known during the course of its settlement. The company's reinsurance companies rely on initial and subsequent premium and loss information received from ceding companies to establish estimates of their provisions for losses. In determining the provision to cover the estimated ultimate liability for all of the company's insurance and reinsurance obligations, a provision is also made for management's calculation of factors affecting the future development of losses including incurred but not reported losses based on the volume of business currently in force, the historical experience on claims and potential changes, such as changes in the underlying book of business, in law and in cost factors.

As time passes, more information about claims becomes known and the provision for losses may consequently be adjusted upward or downward. Because of the various elements of estimation encompassed in this process, and the time it takes to settle many of the more substantial claims, several years may be required before a meaningful comparison of actual losses to the original estimates can be developed.

The development of the provision for losses is often measured as the difference between estimates of reserves as of the initial year-end and the re-estimated reserves at each subsequent year-end. This is based on actual payments in full or partial settlement of claims, plus re-estimates of the reserves required for claims still open or claims still unreported. Favourable development (or redundancies) means that subsequent reserve estimates are lower than originally indicated, while unfavourable development (or deficiencies) means that the original reserve estimates were lower than subsequently indicated. The net favourable reserve development in the tables that follow excludes the loss reserve development of a subsidiary in the year it is acquired. In the "Reconciliation of Provision for Claims – Consolidated" table, a subsidiary's provision for losses at December 31 in the year of acquisition is included in the line "Provision for claims of companies acquired during the year at December 31", whereas the net favourable reserve development as set out in the Sources of Net Earnings section of this MD&A and in the consolidated statement of earnings includes the loss reserve development of a subsidiary from its acquisition date.

Net favourable (unfavourable) prior year reserve development by reporting segment for the years ended December 31 were comprised as follows:

	Favourable/(Unfavourable)	
	2022	**2021**
Property and Casualty Insurance and Reinsurance		
North American Insurers	77.2	103.7
Global Insurers and Reinsurers	21.1	201.4
International Insurers and Reinsurers[1]	97.9	43.6
	196.2	348.7
Run-off	(147.2)	(224.6)
Net favourable prior year reserve development	49.0	124.1

(1) Excludes net favourable prior year reserve development of companies acquired in 2021: Singapore Re ($4.0) and Eurolife ($2.9).

Changes in provision for losses and loss adjustment expenses recorded on the consolidated balance sheets and the related effect on losses on claims, net for the years ended December 31 were as shown in the following table:

Reconciliation of Provision for Claims – Consolidated

	2022	2021
Provision for claims at January 1 – net	25,474.5	22,856.5
Foreign exchange effect	(442.4)	(236.8)
Losses on claims for claims occurring:		
In the current year	13,648.9	10,756.5
In the prior years – net favourable development	(49.0)	(124.1)
Paid on claims during the year related to:		
The current year	(2,973.4)	(2,380.6)
The prior years	(6,593.5)	(5,594.7)
Provision for claims of companies acquired and reinsurance transactions during the year, at December 31	3.8	210.0
Divestitures during the year	–	(12.3)
Provision for claims at December 31 before the undernoted	29,068.9	25,474.5
CTR Life	4.4	4.4
Provision for claims at December 31 – net	29,073.3	25,478.9
Reinsurers' share of provision for claims at December 31	9,245.9	8,943.9
Provision for claims at December 31 – gross	38,319.2	34,422.8

Foreign exchange effect and other principally reflected the decrease of reserves denominated in the Canadian dollar, British pound, euro and Argentinian peso which weakened against the U.S. dollar (2021 – principally reflected the decrease of reserves denominated in the euro, Chilean peso, Argentinian peso, Colombian peso and South African rand which weakened against the U.S. dollar). The company generally manages foreign currency risk on claims liabilities by investing in financial instruments and other assets denominated in the same currency as the liabilities to which they relate.

The company endeavours to establish adequate provisions for losses and loss adjustment expenses at the original valuation date, with the objective of achieving net favourable prior period reserve development at subsequent valuation dates. The reserves will always be subject to upward or downward development in the future which could be significantly different from the past due to many unknown factors.

Available on Fairfax's website (*www.fairfax.ca*) in the Annual Financial Supplement for the year ended December 31, 2022 are tables that show the historical reserve reconciliation and the reserve development of the underlying operating companies in the company's property and casualty insurance and reinsurance reporting segments: North American Insurers (comprised of Northbridge, Crum & Forster and Zenith National), Global Insurers and Reinsurers (comprised of Odyssey Group, Brit and Allied World) and International Insurers and Reinsurers (comprised of Fairfax Asia and Insurance and Reinsurance – Other's operating companies Group Re, Bryte Insurance, Fairfax Latin America, Fairfax Central and Eastern Europe and Eurolife General), as well as Run-off's reconciliation of provision for claims.

Asbestos, Pollution and Other Latent Hazards

The company's insurance contract liabilities include estimates for exposure to asbestos claims, environmental pollution and other types of latent hazard claims (collectively "APO exposures").

A number of the company's subsidiaries wrote general liability policies and reinsurance prior to their acquisition by Fairfax under which policyholders continue to present asbestos-related injury claims. Substantially all of the company's exposure to asbestos losses are now under the management of Run-off. Considerable uncertainty surrounding these types of claims affects the ability of insurers and reinsurers to estimate the amount of unpaid claims and related settlement expenses. Key legal principles governing coverage obligations remain unsettled in the courts, and legislation in various states has undermined the intent of the insurer and policyholder expressed in policy language. Further, asbestos litigation itself continues to be an imperfect process for resolving asbestos claims fairly. As a result, the insurance industry confronts continuing litigation and uncertainty in its efforts to quantify asbestos exposures.

Mesothelioma and lung cancer claims comprise the majority of asbestos claims now being filed and litigated, and the number of mesothelioma cases has not tailed off as expected. The average number of defendants named in each case continues to rise, and each year more defendants not previously sued for asbestos liability are named in lawsuits, putting pressure on costs of defense. Furthermore, plaintiffs' firms in the asbestos litigation continue to push for an increase in the settlement values and jury verdicts in asbestos cases involving malignancies. Asbestos trial results have been mixed, with both plaintiff and defense verdicts having been rendered in courts throughout the U.S. The company continues to implement strategies and initiatives to address these issues and will evaluate and adjust its asbestos reserves as necessary.

The company also faces claims exposure related to environmental pollution and other latent injury allegedly from exposure to potentially harmful products or substances such as pharmaceutical products, chemical products, lead-based pigments and talc. Other latent injury claims have also arisen from insureds' alleged responsibility for sports-related head trauma, sexual molestation, and opioid addiction. Potential exposure associated with sexual molestation claims has increased, driven by heightened awareness and investigation into past abuse, high profile claims, and legislation expanding alleged victims' ability to sue, all of which have resulted in additional claims being reported to the company. The company also is monitoring the emergence of water and soil contamination claims involving perfluorinated chemicals ("PFCs"), as well as growing mass tort litigation involving claims of injury from pesticides and agricultural chemicals such as "Roundup," Paraquat and chlorpyrifos. Coverage for lead paint manufacturers' liability for large-scale abatement of lead paint that is being litigated in various appellate courts also presents potential exposure to the company. Moreover, the company continues to be presented with claims by companies seeking coverage for suits by women who claim bodily injury from exposure to talc, often alleged to have been contaminated with asbestos, as an ingredient of consumer products such as powders and cosmetics. Individual claimants number in the tens of thousands, and the future development of these claims and the degree of the company's exposure to them are highly uncertain.

Reserves for asbestos, pollution and other latent hazards cannot be estimated using traditional loss reserving techniques that rely on historical accident year loss development factors. The uncertainty around future estimates is driven by the lack of historical experience to draw from, uncertainty surrounding the volume of such claims and reporting patterns, emerging science that examines the risk of disease posed by these substances, changes in law, inconsistent trial results, insolvencies of defendants and co-insurers, and social and economic inflation. As each insured presents different liability and coverage issues, the company evaluates its asbestos, pollution and other latent hazard exposure on an insured-by-insured basis. Since the mid-1990's the company has utilized a sophisticated methodology that draws upon company experience and claim data sets to assess liabilities on reported claims. The methodology utilizes a ground-up, exposure-based analysis that constitutes the industry "best practice". In conjunction with the exposure-based analysis, the company also uses aggregate industry methods when setting its overall asbestos, pollution and other latent hazard reserves.

Following is an analysis of the company's gross and net loss and ALAE reserves from U.S. asbestos exposures for the years ended December 31:

	2022		2021	
	Gross	**Net**	**Gross**	**Net**
Asbestos				
Provision for asbestos claims and ALAE at January 1	1,036.7	838.9	1,030.6	840.0
Asbestos losses and ALAE incurred during the year	215.8	113.7	199.1	151.6
Asbestos losses and ALAE paid during the year	(175.2)	(132.5)	(193.0)	(152.7)
Provision for asbestos claims and ALAE at December 31	1,077.3	820.1	1,036.7	838.9

To the extent that future social, scientific, economic, legal, or legislative developments alter the volume of claims, the liabilities of policyholders, policy coverage or the ability to recover reinsurance, additional adjustments to loss reserves beyond current estimates may emerge in future periods.

Recoverable from Reinsurers

The company's property and casualty insurance and reinsurance operations purchase reinsurance to achieve various objectives including protection from catastrophic financial loss resulting from a single event, such as the total loss of a large manufacturing plant from a fire, protection against the aggregation of many smaller claims resulting from a single event, such as an earthquake or major hurricane, that may affect many policyholders simultaneously, and generally to protect capital by limiting loss exposure to acceptable levels.

Recoverable from reinsurers of $13,115.8 on the consolidated balance sheet at December 31, 2022 consisted of future recoverable amounts from reinsurers on unpaid claims ($9,274.8), reinsurance receivable on paid losses ($1,599.4) and the unearned portion of premiums ceded to reinsurers ($2,413.5), net of a provision for uncollectible balances ($171.9). Recoverables from reinsurers on unpaid claims increased by $285.5 to $9,274.8 at December 31, 2022 from $8,989.3 at December 31, 2021, primarily reflecting increased business volumes at most insurance and reinsurance companies, partially offset by the settlement of fronting claims at Fairfax Latam (at Southbridge Chile related to the 2019 Chilean riots).

The following table presents the company's top 10 reinsurance groups (ranked by gross recoverable from reinsurers) at December 31, 2022, which represented 62.5% (December 31, 2021 – 61.7%) of gross recoverable from reinsurers.

Reinsurance group	Principal reinsurers	A.M. Best rating (or S&P equivalent)(1)	Gross recoverable from reinsurers(2)	Net unsecured recoverable from reinsurers(3)
Munich	Munich Reinsurance Company	A+	1,618.5	1,398.5
Swiss Re	Swiss Reinsurance America Corporation	A+	1,436.8	1,383.1
Lloyd's	Lloyd's	A	1,212.9	1,197.5
Everest	Everest Reinsurance (Bermuda), Ltd	A+	780.0	649.9
Risk Management Agency	Federal Crop Insurance Corporation	NR	737.1	737.1
HDI	Hannover Rück SE	A+	577.6	570.8
Berkshire Hathaway	General Reinsurance Corporation	A++	551.8	549.6
AIG	Validus Reinsurance (Switzerland) Ltd	A	470.9	459.9
Axis	Axis Reinsurance Company	A	469.8	409.2
Sompo Holdings	Endurance Assurance Corporation	A+	448.6	441.8
Top 10 reinsurance groups			8,304.0	7,797.4
Other reinsurers			4,983.7	4,245.1
Gross recoverable from reinsurers			13,287.7	12,042.5
Provision for uncollectible reinsurance			(171.9)	(171.9)
Recoverable from reinsurers			13,115.8	11,870.6

(1) Financial strength rating of principal reinsurer.

(2) Excludes specific provisions for uncollectible reinsurance.

(3) Net of outstanding balances for which security was held, and excludes specific provisions for uncollectible reinsurance.

The following table presents recoverable from reinsurers of $13,115.8 at December 31, 2022 separately for the Property and Casualty Insurance and Reinsurance reporting segment and Life insurance and Run-off, according to the financial strength rating of the reinsurers. Shown separately are pools and associations, which generally consist of government or similar insurance funds carrying limited credit risk.

A.M. Best rating (or S&P equivalent)	Property and Casualty Insurance and Reinsurance: Gross recoverable from reinsurers	Balance for which security is held	Net unsecured recoverable from reinsurers	Life Insurance and Run-off: Gross recoverable from reinsurers	Balance for which security is held	Net unsecured recoverable from reinsurers	Consolidated: Gross recoverable from reinsurers	Balance for which security is held	Net unsecured recoverable from reinsurers
A++	546.5	23.9	522.6	53.8	0.3	53.5	600.3	24.2	576.1
A+	6,376.1	435.6	5,940.5	255.2	8.5	246.7	6,631.3	444.1	6,187.2
A	3,636.9	199.4	3,437.5	114.0	6.5	107.5	3,750.9	205.9	3,545.0
A-	468.7	51.2	417.5	9.7	2.4	7.3	478.4	53.6	424.8
B++	52.1	3.5	48.6	3.2	0.8	2.4	55.3	4.3	51.0
B+	0.8	–	0.8	–	–	–	0.8	–	0.8
B or lower	10.6	–	10.6	–	–	–	10.6	–	10.6
Not rated	799.4	464.2	335.2	199.4	42.3	157.1	998.8	506.5	492.3
Pools and associations	756.3	6.6	749.7	5.0	–	5.0	761.3	6.6	754.7
	12,647.4	1,184.4	11,463.0	640.3	60.8	579.5	13,287.7	1,245.2	12,042.5
Provision for uncollectible reinsurance	(43.3)		(43.3)	(128.6)		(128.6)	(171.9)		(171.9)
Recoverable from reinsurers	12,604.1		11,419.7	511.7		450.9	13,115.8		11,870.6

To support recoverable from reinsurers balances, the company had the benefit of letters of credit or trust funds totaling $1,245.2 at December 31, 2022. In addition to the above security arrangements, Lloyd's is also required to maintain funds in Canada and the United States that are monitored by the applicable regulatory authorities in those jurisdictions.

Substantially all of the provision for uncollectible reinsurance of $171.9 at December 31, 2022 related to net unsecured reinsurance recoverable of $554.7 from reinsurers rated B++ or lower, including those that are not rated (which excludes pools and associations).

Credit risk associated with the company's recoverable from reinsurers is discussed in note 24 (Financial Risk Management, under the heading "Credit Risk") to the consolidated financial statements for the year ended December 31, 2022. From the credit risk analysis performed by its reinsurance security department, the company believes that its provision for uncollectible reinsurance is reasonable for all incurred losses arising from uncollectible reinsurance at December 31, 2022.

Consolidated net earnings included the pre-tax cost of ceded reinsurance of $611.2 (2021 – $765.8), which is a supplementary financial measure used by the company to determine the cost or benefit of ceding business volume and insurance risk. The consolidated pre-tax impact of ceded reinsurance was comprised as follows, using amounts from note 9 (Reinsurance) to the consolidated financial statements for the year ended December 31, 2022: reinsurers' share of premiums earned of $5,448.8 (2021 – $5,228.8); commissions earned on reinsurers' share of premiums earned of $1,184.4 (2021 – $1,007.8); losses on claims ceded to reinsurers of $3,642.0 (2021 – $3,479.0); and net recovery of uncollectible reinsurance of $11.2 (2021 – net provision for uncollectible reinsurance of $23.8).

Year ended December 31, 2022

	Property and Casualty Insurance and Reinsurance: North American Insurers	Global Insurers and Reinsurers	International Insurers and Reinsurers	Total	Life insurance and Run-off	Inter-company	Consolidated
Reinsurers' share of premiums earned	1,144.9	3,482.9	1,149.1	5,776.9	5.8	(333.9)	5,448.8
Pre-tax benefit (cost) of ceded reinsurance	(57.2)	4.4	(526.0)	(578.8)	137.4	(169.8)	(611.2)

Year ended December 31, 2021

	Property and Casualty Insurance and Reinsurance						
	North American Insurers[1]	Global Insurers and Reinsurers[2]	International Insurers and Reinsurers	Total	Life insurance and Run-off	Inter-company[1]	Consolidated
Reinsurers' share of premiums earned	1,223.7	3,597.5	1,017.9	5,839.1	3.6	(613.9)	5,228.8
Pre-tax benefit (cost) of ceded reinsurance	(19.3)	(417.8)	(297.2)	(734.3)	62.5	(94.0)	(765.8)

(1) Includes reinsurers' share of premiums earned of $358.1 related to Crum & Forster's fourth quarter 2021 intercompany reinsurance transaction with Run-off as described in the North American Insurers section of this MD&A.

(2) Includes reinsurers' share of premiums earned of $344.1 and pre-tax benefit of ceded reinsurance of $35.0 related to Brit's fourth quarter 2021 reinsurance transaction as described in the Global Insurers and Reinsurers section of this MD&A.

Reinsurers' share of premiums earned increased to $5,448.8 in 2022 from $5,228.8 in 2021, reflecting increases at Allied World, Crum & Forster and Fairfax Latam primarily due to higher business volumes and the inclusion of a full year of ceded premium of Singapore Re, partially offset by the fourth quarter 2021 reinsurance transaction at Brit which increased reinsurer's share of premiums earned in 2021.

Commissions earned on reinsurers' share of premiums earned increased to $1,184.4 in 2022 from $1,007.8 in 2021 commensurate with the increase in reinsurers' share of premiums earned and a modestly higher commission rate.

Reinsurers' share of losses on claims increased to $3,642.0 in 2022 from $3,479.0 in 2021, primarily due to higher U.S. crop losses ceded to reinsurers at Odyssey Group and an increase at Crum & Foster primarily reflecting increased business volumes, partially offset by favourable development in 2022 on fronting claims related to the 2019 Chilean riots at Fairfax Latam and the fourth quarter 2021 reinsurance transaction at Brit which increased reinsurer's share of losses on claims in 2021.

The use of reinsurance in 2022 decreased cash provided by operating activities by approximately $1,847.0 (2021 – $2,394.9) primarily reflecting the timing of premiums paid to reinsurers in each of 2022 and 2021 which was earlier than the collection of reinsurance on claims paid.

Investments

Hamblin Watsa Investment Counsel Ltd.

Hamblin Watsa Investment Counsel Ltd. ("Hamblin Watsa") is a wholly owned subsidiary of the company that serves as the investment manager for the holding company, the property and casualty insurance and reinsurance operations, Life insurance and Run-off companies, and Fairfax India. Following a long term value-oriented investment philosophy with primary emphasis on the preservation of invested capital, Hamblin Watsa looks for investments with a margin of safety by conducting thorough proprietary analysis of investment opportunities and markets, assessing the financial strength of issuers, identifying attractively priced securities selling at discounts to intrinsic value and hedging risks where appropriate. Hamblin Watsa is opportunistic and disciplined in seeking undervalued securities in the market, often investing in out-of-favour securities when sentiment is negative, and maintaining a large proportion of its investment portfolio in cash and cash equivalents when it perceives markets to be over-valued.

Hamblin Watsa generally operates as a separate investment management entity, with the company's Chief Executive Officer and one other corporate officer serving as members of Hamblin Watsa's investment committee. This investment committee is responsible for making all investment decisions, subject to relevant regulatory guidelines and constraints, and oversight by Hamblin Watsa management. The company's Board of Directors, management and operating companies served by Hamblin Watsa are kept apprised of significant investment decisions by Hamblin Watsa through the financial reporting process and periodic presentations by Hamblin Watsa management.

Overview of Investment Performance

Investments at their year end carrying values (including at the holding company) for the company's first year and for the past ten years are presented in the following table. Included in bonds are U.S. treasury bond forward contracts, CPI-linked derivatives and credit default swaps and included in common stocks are investments in associates and equity derivatives.

Year[(1)]	Cash and short term investments	Bonds[(2)]	Preferred stocks	Common stocks	Real estate[(3)]	Total investments[(4)]	Investments per share ($)[(5)]
1985	6.4	14.1	1.0	2.5	–	24.0	4.80
↕							
2013	7,988.0	10,710.3	764.8	4,951.0	447.5	24,861.6	1,172.72
2014	6,428.5	12,660.3	520.6	5,968.1	615.2	26,192.7	1,236.90
2015	7,368.7	14,905.0	116.9	6,124.4	501.1	29,016.1	1,306.22
2016	11,214.4	10,358.3	70.6	6,281.1	506.3	28,430.7	1,231.11
2017[(6)]	19,186.2	10,392.5	299.6	9,014.1	363.0	39,255.4	1,414.55
2018	7,423.8	20,727.3	264.6	9,738.1	686.8	38,840.6	1,425.97
2019[(7)]	10,652.2	16,499.9	582.9	10,539.5	730.1	39,004.6	1,453.71
2020	13,860.6	16,483.3	609.9	11,504.9	712.7	43,171.4	1,649.24
2021[(8)]	22,796.8	14,700.7	2,419.9	12,255.0	850.4	53,022.8	2,221.72
2022	10,386.4	29,209.5	2,349.1	12,830.5	702.2	55,477.7	2,378.43

(1) IFRS basis for 2010 to 2022; Canadian GAAP basis for 2009 and prior. Under Canadian GAAP, investments were generally carried at cost or amortized cost in 2006 and prior.

(2) Includes the company's investment in other funds with a carrying value of $202.8 at December 31, 2022 (December 31, 2021 – $195.5, December 31, 2020 – $195.4, December 31, 2019 – $175.6, December 31, 2018 – $150.3, December 31, 2017 – $90.9, December 31, 2016 – $157.1, December 31, 2015 – $1,094.0) that are invested principally in fixed income securities.

(3) Includes the company's equity accounted investments in KWF LPs, and Grivalia Properties prior to its consolidation effective July 4, 2017. Grivalia Properties was deconsolidated upon its merger into Eurobank on May 17, 2019. Eurobank is included in common stocks in the table above.

(4) Comprised of holding company cash and investments and portfolio investments, net of derivative obligations (commencing in 2004), as presented on the consolidated balance sheet.

(5) Total investments divided by the number of common shares effectively outstanding as presented in the consolidated financial statements. This supplementary financial measure is presented principally to indicate the significance of the company's investments in the composition of book value per basic share.

(6) Increases primarily related to Allied World's investment portfolio of $7,918.8, which the company commenced consolidating on July 6, 2017.

(7) Excludes European Run-off's portfolio investments that were included in assets held for sale on the consolidated balance sheet at December 31, 2019.

(8) Increases in part related to the consolidation of Eurolife on July 14, 2021 and Singapore Re on June 17, 2021, and their investment portfolios of $3,256.8 and $316.9 respectively.

Investments per share increased by $156.71 to $2,378.43 at December 31, 2022 from $2,221.72 at December 31, 2021 primarily reflecting the factors that increased investments described under the heading "Components of Consolidated Balance Sheets" in this MD&A and the impact of the company's net purchases of its common shares for treasury (for use in its share-based payment awards) and for cancellation (pursuant to normal course issuer bids). The company's common shares effectively outstanding decreased to 23,325,305 at December 31, 2022 from 23,865,600 at December 31, 2021. Since 1985, investments per share has compounded at a rate of 18.3% per year, including the impact of acquisitions.

Interest and Dividends

The majority of interest and dividends is earned by the property and casualty insurance and reinsurance operations. Interest and dividends earned in the company's first year and for the past ten years is presented in the following table. The company calculates a pre-tax and after-tax interest and dividends yield on average investments at carrying value, which are supplementary financial measures, to determine the return earned on investments during the holding period prior to realization of capital gains or losses.

	Average	Interest and dividends					
		Pre-tax			After-tax		
Year[(1)]	Investments at carrying value[(2)]	Amount[(3)]	Yield[(4)] (%)	Per share[(5)] ($)	Amount[(3)]	Yield[(4)] (%)	Per share[(5)] ($)
1986	46.3	3.4	7.34	0.70	1.8	3.89	0.38
↕							
2013	25,454.7	376.9	1.48	18.51	277.0	1.09	13.60
2014	25,527.2	403.8	1.58	18.70	296.8	1.16	13.74
2015	27,604.4	512.2	1.86	22.70	376.5	1.36	16.69
2016	28,723.4	555.2	1.93	24.12	408.1	1.42	17.73
2017	33,843.1	559.0	1.65	21.42	410.9	1.21	15.74
2018	39,048.0	783.5	2.01	27.59	575.9	1.47	20.28
2019[(6)]	40,109.3	880.2	2.19	31.37	646.9	1.61	23.05
2020	41,088.0	769.2	1.87	27.75	565.4	1.38	20.40
2021	48,097.1	640.8	1.33	23.34	471.0	0.98	17.15
2022	54,250.3	961.8	1.77	37.96	706.9	1.30	27.90

(1) IFRS basis for 2010 to 2022; Canadian GAAP basis for 2009 and prior. Under Canadian GAAP, investments were generally carried at cost or amortized cost in 2006 and prior. All amounts in the table are calculated using information presented in the consolidated financial statements.

(2) Investments at carrying value is comprised of holding company cash and investments and portfolio investments, net of derivative obligations (commencing in 2004), as presented on the consolidated balance sheet. Average investments at carrying value is the simple average of investments at carrying value at the beginning and end of the year.

(3) Pre-tax amount is as presented in the consolidated statement of earnings. After-tax amount is tax effected at the company's Canadian statutory income tax rate.

(4) Interest and dividends, on a pre-tax and after-tax basis, expressed as a percentage of average investments at carrying value.

(5) Calculated using the weighted average diluted number of common shares outstanding during the year as disclosed in the consolidated financial statements.

(6) Average investments at carrying value and interest and dividends yield on a pre-tax and after-tax basis were calculated inclusive of European Run-off's portfolio investments included in assets held for sale on the consolidated balance sheet at December 31, 2019.

Interest and dividends increased to $961.8 in 2022 from $640.8 in 2021, primarily reflecting higher interest income earned, principally due to a general increase in sovereign bond yields, net purchases of U.S. treasury and Canadian government bonds, first mortgage loans and other government bonds during 2021 and 2022, and increased dividend income from preferred stocks, partially offset by lower interest income earned from net sales of U.S. corporate bonds during 2021 and lower dividend income earned from long equity total return swaps.

The company's pre-tax interest and dividends yield of 1.77% in 2022 increased from 1.33% in 2021 and the company's after-tax interest and dividends yield of 1.30% in 2022 increased from 0.98% in 2021, with the year-over-year increases principally reflecting the factors described in the preceding paragraph.

Interest and dividends by reporting segment in 2022 and 2021 were comprised as shown in the following tables:

Year ended December 31, 2022

	Property and Casualty Insurance and Reinsurance							
	North American Insurers	Global Insurers and Reinsurers	International Insurers and Reinsurers	Total	Life insurance and Run-off	Non-insurance companies	Corporate and Other	Consolidated
Interest income:								
Cash and short term investments	19.8	44.4	24.7	88.9	2.7	1.2	8.7	101.5
Bonds	220.1	384.1	73.1	677.3	53.2	8.8	13.8	753.1
Derivatives and other invested assets	9.1	19.3	1.2	29.6	0.5	0.2	(11.4)	18.9
	249.0	447.8	99.0	795.8	56.4	10.2	11.1	873.5
Dividends:								
Preferred stocks	15.7	21.8	1.5	39.0	0.7	–	–	39.7
Common stocks	16.3	33.1	14.5	63.9	11.6	24.6	0.6	100.7
	32.0	54.9	16.0	102.9	12.3	24.6	0.6	140.4
Investment expenses	(47.0)	(89.4)	(16.2)	(152.6)	(13.1)	(8.2)	121.8	(52.1)
Interest and dividends	234.0	413.3	98.8	746.1	55.6	26.6	133.5	961.8

Year ended December 31, 2021

	Property and Casualty Insurance and Reinsurance							
	North American Insurers	Global Insurers and Reinsurers	International Insurers and Reinsurers	Total	Life insurance and Run-off	Non-insurance companies	Corporate and Other	Consolidated
Interest income:								
Cash and short term investments	4.8	8.5	14.2	27.5	(1.1)	0.4	–	26.8
Bonds	131.4	263.7	51.9	447.0	22.8	3.5	15.2	488.5
Derivatives and other invested assets	18.2	27.4	0.7	46.3	0.5	–	6.3	53.1
	154.4	299.6	66.8	520.8	22.2	3.9	21.5	568.4
Dividends:								
Preferred stocks	5.2	7.3	0.8	13.3	0.3	–	0.5	14.1
Common stocks	18.7	29.9	10.8	59.4	7.5	28.5	(1.3)	94.1
	23.9	37.2	11.6	72.7	7.8	28.5	(0.8)	108.2
Investment expenses	(43.2)	(100.1)	(8.5)	(151.8)	(10.7)	(127.1)	253.8	(35.8)
Interest and dividends	135.1	236.7	69.9	441.7	19.3	(94.7)	274.5	640.8

Share of Profit (Loss) of Associates

Share of profit of associates increased significantly to $1,014.7 in 2022 from $402.0 in 2021 principally reflecting increased share of profit of Atlas, Eurobank and Resolute and share of profit of EXCO (compared to share of loss in 2021).

Share of profit (loss) of associates by reporting segment in 2022 and 2021 were comprised as shown in the following tables:

Year ended December 31, 2022

	Property and Casualty Insurance and Reinsurance							
	North American Insurers	Global Insurers and Reinsurers	International Insurers and Reinsurers	Total	Life insurance and Run-off	Non-insurance companies	Corporate and Other	Consolidated
Insurance and reinsurance:								
Gulf Insurance	–	–	–	–	–	–	53.0	53.0
Digit	–	–	(11.0)	(11.0)	–	–	–	(11.0)
Other	(1.8)	1.2	(0.7)	(1.3)	(0.9)	–	(9.4)	(11.6)
	(1.8)	1.2	(11.7)	(12.3)	(0.9)	–	43.6	30.4
Non-insurance:								
India								
IIFL Finance	–	–	–	–	–	36.5	–	36.5
IIFL Securities	2.9	0.7	0.1	3.7	–	10.9	–	14.6
Other held by Fairfax India	–	–	–	–	–	84.6	–	84.6
Other	–	–	–	–	–	0.2	6.6	6.8
	2.9	0.7	0.1	3.7	–	132.2	6.6	142.5
Real estate								
KWF LPs	12.8	(6.7)	–	6.1	10.4	–	–	16.5
Other	–	3.0	–	3.0	0.9	(0.2)	(0.9)	2.8
	12.8	(3.7)	–	9.1	11.3	(0.2)	(0.9)	19.3
Other								
Eurobank	28.3	141.6	28.9	198.8	21.3	–	42.9	263.0
Atlas (formerly Seaspan)	29.9	194.6	15.4	239.9	12.1	–	6.2	258.2
Resolute	104.8	34.6	11.3	150.7	4.9	–	3.4	159.0
EXCO	30.0	36.5	9.0	75.5	4.6	–	1.8	81.9
Other	32.9	23.8	(0.6)	56.1	3.1	2.0	(0.8)	60.4
	225.9	431.1	64.0	721.0	46.0	2.0	53.5	822.5
	241.6	428.1	64.1	733.8	57.3	134.0	59.2	984.3
Share of profit of associates	239.8	429.3	52.4	721.5	56.4	134.0	102.8	1,014.7

Year ended December 31, 2021

	Property and Casualty Insurance and Reinsurance							
	North American Insurers	Global Insurers and Reinsurers	International Insurers and Reinsurers	Total	Life insurance and Run-off	Non-insurance companies	Corporate and Other	Consolidated
Insurance and reinsurance:								
Gulf Insurance[1]	–	–	–	–	–	–	55.5	55.5
Digit	–	–	5.3	5.3	–	–	–	5.3
Other	(0.7)	1.7	6.2	7.2	1.0	–	3.6	11.8
	(0.7)	1.7	11.5	12.5	1.0	–	59.1	72.6
Non-insurance:								
India								
IIFL Finance	6.1	1.7	0.4	8.2	0.3	30.4	1.7	40.6
IIFL Securities	2.1	0.6	0.2	2.9	0.1	10.4	0.6	14.0
Other held by Fairfax India	–	–	–	–	–	(20.6)	–	(20.6)
Other	–	–	–	–	–	–	(1.4)	(1.4)
	8.2	2.3	0.6	11.1	0.4	20.2	0.9	32.6
Real estate								
KWF LPs	(1.5)	(3.9)	–	(5.4)	(3.6)	–	–	(9.0)
Other	–	(3.0)	–	(3.0)	2.2	0.6	(1.5)	(1.7)
	(1.5)	(6.9)	–	(8.4)	(1.4)	0.6	(1.5)	(10.7)
Other								
Eurobank	18.2	91.4	18.3	127.9	1.1	–	33.3	162.3
Resolute	50.4	16.2	5.4	72.0	2.3	–	1.6	75.9
Atlas (formerly Seaspan)	8.5	55.6	1.0	65.1	3.6	–	0.8	69.5
EXCO	(15.4)	(18.6)	(4.0)	(38.0)	(2.3)	–	(0.9)	(41.2)
Other	35.9	43.1	2.9	81.9	12.1	1.5	(54.5)	41.0
	97.6	187.7	23.6	308.9	16.8	1.5	(19.7)	307.5
	104.3	183.1	24.2	311.6	15.8	22.3	(20.3)	329.4
Share of profit of associates	103.6	184.8	35.7	324.1	16.8	22.3	38.8	402.0

See note 6 (Investments in Associates) and note 23 (Acquisitions and Divestitures) to the consolidated financial statements for the year ended December 31, 2022 for details of transactions described below:

(1) On February 8, 2021 the company entered into an arrangement to purchase (unless sold earlier) certain portfolio investments owned by RiverStone Barbados and subsequently commenced applying the equity method of accounting to its interest in Gulf Insurance pursuant to that arrangement.

Net Gains (Losses) on Investments

Net losses on investments of $1,733.9 in 2022 (2021 – net gains on investments of $3,445.1) was comprised as shown in the following table:

	2022			2021		
	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses) on investments	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses) on investments
Common stocks[1]	364.5	(607.2)	(242.7)	483.4	850.0	1,333.4
Preferred stocks – convertible	1.4	(5.8)	(4.4)	0.7	2.1	2.8
Bonds – convertible	10.2	(247.2)	(237.0)	0.2	101.1	101.3
Other equity derivatives[2][3][4]	331.7	(140.9)	190.8	461.5	170.1	631.6
Disposition of non-insurance associates[5]	45.1	–	45.1	52.7	–	52.7
Deconsolidation of non-insurance subsidiaries[6]	4.4	–	4.4	190.3	–	190.3
Long equity exposures and financial effects	757.3	(1,001.1)	(243.8)	1,188.8	1,123.3	2,312.1
Bonds[7]	(183.6)	(1,064.9)	(1,248.5)	338.0	(624.6)	(286.6)
U.S. treasury bond forward contracts	163.0	(0.6)	162.4	26.0	(0.3)	25.7
Total bonds	(20.6)	(1,065.5)	(1,086.1)	364.0	(624.9)	(260.9)
Preferred stocks[8]	12.9	(101.1)	(88.2)	1.5	1,507.4	1,508.9
Other derivative contracts	(62.0)	86.6	24.6	(157.2)	181.3	24.1
Foreign currency[9]	105.8	(410.1)	(304.3)	(64.5)	(28.6)	(93.1)
Other	(36.3)	0.2	(36.1)	130.4	(176.4)	(46.0)
Net gains (losses) on investments	757.1	(2,491.0)	(1,733.9)	1,463.0	1,982.1	3,445.1
Net gains (losses) on bonds is comprised as follows:						
Government bonds	(161.3)	(567.8)	(729.1)	2.7	(62.5)	(59.8)
U.S. states and municipalities	(0.2)	(73.5)	(73.7)	–	10.5	10.5
Corporate and other	(22.1)	(423.6)	(445.7)	335.3	(572.6)	(237.3)
	(183.6)	(1,064.9)	(1,248.5)	338.0	(624.6)	(286.6)

See note 5 (Cash and Investments), note 6 (Investments in Associates) and note 23 (Acquisitions and Divestitures) to the consolidated financial statements for the year ended December 31, 2022 for details of 2022 transactions described below:

(1) *On August 31, 2022 Stelco Holdings Inc. repurchased 5.1 million of its outstanding common shares under its substantial issuer bid which resulted in the loss of a certain right held by another investor and the company's ownership interest in Stelco increasing to 20.5%. Accordingly, the company commenced applying the equity method of accounting to its interest in Stelco at that date, resulting in unrealized gains of $151.9 being reclassified to realized with a net impact of nil in the consolidated statement of earnings.*

(2) *Other equity derivatives include long equity total return swaps, equity warrants and options and the Asset Value Loan Notes ("AVLNs") entered with RiverStone Barbados. Net change in unrealized gains (losses) in 2022 included $100.6 in unrealized gains (2021 – $91.8) on the company's investment in long equity total return swaps on Fairfax subordinate voting shares, with the fair value of $196.3 at December 31, 2022 (December 31, 2021 – $95.7) recorded in holding company cash and investments.*

(3) *Amounts recorded in net realized gains (losses) include net gains (losses) on total return swaps where the counterparties are generally required to cash-settle monthly or quarterly the market value movement since the previous reset date notwithstanding that the total return swap positions remain open subsequent to the cash settlement. Net realized gains (losses) in 2022 included $154.8 of realized gains (2021 – $130.9) on the company's investment in long equity total return swaps on Fairfax subordinate voting shares, which represented cash-settlement amounts recorded in holding company cash and investments.*

(4) *On April 6, 2022 the company acquired 25.0 million Atlas common shares by exercising its equity warrants in Atlas with a strike price of $8.05 per share for aggregate cash consideration of $201.3 and recognized a net loss on investment of $37.2 (realized gains of $58.6, of which $95.8 was recorded as unrealized gains in prior years) on derecognition of the equity warrants.*

(5) *During 2021 the company sold a portion of its investment in IIFL Finance for cash proceeds of $113.7 (8.6 billion Indian rupees) and recorded a net realized gain of $42.0 in the consolidated statement of earnings.*

(6) *Principally comprised of the sale of Toys "R" Us Canada and Fairfax India's sale of Privi during 2021.*

(7) *Includes the derecognition of Seaspan Corporation debentures that were exchanged for Atlas Corp. preferred shares on June 11, 2021 and Seaspan Corporation debentures that were redeemed on August 23, 2021.*

(8) *Includes net unrealized gains of $1,490.3 (inclusive of foreign exchange losses) on Digit compulsory convertible preferred shares during 2021.*

(9) Foreign currency net losses on investing activities during 2022 primarily related to the strengthening of the U.S. dollar relative to the company's investments denominated in the Indian rupee, Canadian dollar, Egyptian pound, Sri Lankan rupee and British pound, partially offset by foreign currency net gains on U.S. dollar denominated investments held by subsidiaries with a Canadian dollar or British pound functional currency as the U.S. dollar strengthened relative to those currencies. Foreign currency net losses on investing activities during 2021 primarily related to euro and Indian rupee denominated investments held by subsidiaries with a U.S. dollar functional currency as the U.S. dollar strengthened relative to those currencies.

Long equity exposures and financial effects: Long equity exposures and financial effects excludes the company's insurance and reinsurance investments in associates and joint ventures and other equity and equity-related holdings which are considered long term strategic holdings. During 2022 the company's long equity exposures produced net losses of $243.8 (2021 – net gains of $2,312.1). Net losses on long equity exposures of $243.8 in 2022 were primarily comprised of net losses on common stocks ($242.7), convertible bonds ($237.0), AVLNs entered with RiverStone Barbados ($87.3) and equity warrants and options ($50.0), partially offset by net gains on long equity total return swaps ($328.1). Net gains on long equity total return swaps in 2022 included net gains of $255.4 on the company's investment in long equity total return swaps on Fairfax subordinate voting shares.

Bonds: Net losses on bonds in 2022 of $1,086.1 were primarily comprised of net losses on corporate and other bonds ($445.7, principally related to U.S. and other corporate bonds), U.S. treasury bonds ($442.1), Greek government bonds ($157.8) and U.S. state and municipal bonds ($73.7), partially offset by net gains on U.S. treasury bond forward contracts ($162.4). Net losses on bonds in 2021 of $260.9 were primarily comprised of net losses on corporate and other bonds ($237.3, principally related to U.S. and other corporate bonds).

To reduce its exposure to interest rate risk (primarily exposure to certain long dated U.S. corporate bonds and U.S. state and municipal bonds held in its fixed income portfolio), the company held forward contracts to sell long dated U.S. treasury bonds with a notional amount at December 31, 2022 of $183.7 (December 31, 2021 – $1,691.3). The decrease in U.S. treasury bond forward contracts held primarily reflected the closing of certain contracts as interest rates increased during the second half of 2022 and from the corresponding decrease in the company's exposure to certain U.S. corporate bonds from sales completed in late 2021. These contracts have an average term to maturity of less than six months, and may be renewed at market rates.

Foreign currency: Foreign currency net losses in 2022 of $304.3 primarily reflected foreign currency net losses on investing activities of $366.5 (primarily related to the strengthening of the U.S. dollar relative to the company's investments denominated in the Indian rupee, Canadian dollar, Egyptian pound, Sri Lankan rupee and British pound, partially offset by foreign currency net gains on U.S. dollar denominated investments held by subsidiaries with a Canadian dollar or British pound functional currency as the U.S. dollar strengthened relative to those currencies) and net losses on foreign currency contracts of $53.6. Foreign currency net losses in 2021 of $93.1 primarily reflected foreign currency net losses on investing activities of $122.3 (primarily related to euro and Canadian dollar denominated investments held by subsidiaries with a U.S. dollar functional currency as the U.S. dollar weakened relative to those currencies), partially offset by net gains on underwriting activities of $41.2.

Total Return on the Investment Portfolio

The following table presents the performance of the investment portfolio for the company's first year and for the past ten years. For the years 1986 to 2006, total return on average investments, a supplementary financial measure, included interest and dividends, net realized gains (losses) and changes in net unrealized gains (losses) as the majority of the company's investment portfolio was carried at cost or amortized cost under Canadian GAAP. For the years 2007 to 2009, Canadian GAAP required the company to carry the majority of its investments at fair value and as a result, total return on average investments during this period included interest and dividends, net gains (losses) on investments recorded in the consolidated statement of earnings and net unrealized gains (losses) on investments recorded in other comprehensive income. Effective January 1, 2010 the company adopted IFRS and was required to carry the majority of its investments at FVTPL and as a result, total return on average investments for the years 2010 to 2022 includes interest and dividends, net gains (losses) on investments and share of profit (loss) of associates, as presented in the consolidated statement of earnings, expressed as a percentage of average investments at carrying value. All amounts described above used in the calculation of total return on average investments are included on a pre-tax basis, and are as presented in the consolidated financial statements.

Year[1]	Average investments at carrying value[2]	Interest and dividends	Net realized gains (losses)[3]	Change in unrealized gains (losses)	Net gains (losses) recorded in: Consolidated statement of earnings[4]	Net gains (losses) recorded in: Other comprehensive income (loss)	Share of profit (loss) of associates	Total return on average investments	(%)
1986	46.3	3.4	0.7	(0.2)	–	–	–	3.9	8.4
↕									
2013	25,454.7	376.9	–	–	(1,579.8)	–	96.7	(1,106.2)	(4.3)
2014	25,527.2	403.8	–	–	1,682.7	–	105.7	2,192.2	8.6
2015	27,604.4	512.2	–	–	(341.3)	–	172.9	343.8	1.2
2016	28,723.4	555.2	–	–	(1,223.3)	–	24.2	(643.9)	(2.2)
2017	33,843.1	559.0	–	–	1,542.4	–	200.5	2,301.9	6.8
2018	39,048.0	783.5	–	–	221.3	–	221.1	1,225.9	3.1
2019[5]	40,109.3	880.2	–	–	1,710.6	–	169.6	2,760.4	6.9
2020	41,088.0	769.2	–	–	329.9	–	(112.8)	986.3	2.4
2021	48,097.1	640.8	–	–	3,403.9	–	402.0	4,446.7	9.2
2022	54,250.3	961.8	–	–	(1,742.5)	–	1,014.7	234.0	0.4
Cumulative from inception		15,040.5	3,887.8		10,672.1		2,357.4	33,221.8	7.7[6]

(1) IFRS basis for 2010 to 2022; Canadian GAAP for 2009 and prior. Under Canadian GAAP, investments were generally carried at cost or amortized cost in 2006 and prior.

(2) Investments at carrying value is comprised of holding company cash and investments and portfolio investments, net of derivative obligations (commencing in 2004), as presented on the consolidated balance sheet. Average investments at carrying value is the simple average of investments at carrying value at the beginning and end of the year.

(3) Excludes gains on the company's secondary offerings of certain insurance and reinsurance subsidiaries (2004 – $40.1; 2006 – $69.7), losses on repurchase of long term debt at premiums to par (2004 – $27.0; 2006 – $15.7) and other gains and losses arising on transactions involving the common and preferred shares of consolidated insurance and reinsurance subsidiaries (2006 – $8.1 loss; 2009 – $25.9 gain).

(4) Excludes foreign currency net gains (losses) recognized on the company's underwriting activities since 2008, as presented in the consolidated financial statements.

(5) Average investments at carrying value and total return on average investments were calculated inclusive of European Run-off's portfolio investments that were presented in assets held for sale on the consolidated balance sheet at December 31, 2019.

(6) Simple average of the total return on average investments for each of the 37 years.

Investment gains have been an important component of the company's financial results since 1985, having contributed an aggregate $15,618.6 (pre-tax) to total equity since inception. The contribution has fluctuated significantly from period to period; the amount of investment gains (losses) for any period has no predictive value and variations in amount from period to period have no practical analytical value. From inception in 1985 to 2022, total return on average investments has averaged 7.7%.

The company has a long term, value-oriented investment philosophy. It continues to expect fluctuations in the global financial markets for common stocks, bonds, derivatives and other securities.

Bonds

Credit Risk

At December 31, 2022, 80.1% (December 31, 2021 – 65.1%) of the fixed income portfolio's carrying value was rated investment grade or better, with 60.6% (December 31, 2021 – 39.1%) rated AA or better (primarily consisting of government bonds). At December 31, 2022 the fixed income portfolio included the company's investments in first mortgage loans of $2,500.7 (December 31, 2021 – $1,659.4) secured by real estate predominantly in the U.S., Europe and Canada, with a weighted average loan-to-value ratio of approximately 60%, reducing the company's credit risk exposure related to these investments. Refer to note 24 (Financial Risk Management, under the heading "Investments in Debt Instruments") to the consolidated financial statements for the year ended December 31, 2022 for a discussion of the company's exposure to the credit risk in its fixed income portfolio.

Interest Rate Risk

Hypothetical parallel upward shifts in the term structure of interest rates by 100 basis points and 200 basis points would potentially decrease net earnings by $435.4 and $852.9 respectively (2021 – $224.3 and $418.4).

The company's exposure to interest rate risk increased during 2022 primarily due to net investments of existing cash and the proceeds from sales and maturities of U.S. treasury and Canadian provincial short term investments into U.S. treasury and Canadian government bonds with 1 to 5 year terms and short-dated high quality corporate bonds of $10,721.3, $1,422.1 and $2,202.6, respectively. To reduce its exposure to interest rate risk (primarily exposure to certain long-dated U.S. corporate bonds and U.S. state and municipal bonds held in its fixed income portfolio), the company held forward contracts to sell long-dated U.S. treasury bonds with a notional amount at December 31, 2022 of $183.7 (December 31, 2021 – $1,691.3). The decrease in U.S. treasury bond forward contracts held primarily reflected the closing of certain contracts as interest rates increased during the second half of 2022 and from the corresponding decrease in the company's exposure to certain U.S. corporate bonds from sales completed in late 2021. These contracts have an average term to maturity of less than six months and may be renewed at market rates.

The company's exposure to interest rate risk is discussed further in note 24 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2022.

Common Stocks

The company holds significant investments in equity and equity-related instruments. The market value and the liquidity of these investments are volatile and may vary dramatically either up or down in short periods, and their ultimate value will therefore only be known over the long term or on disposition. The change in fair value of equity and equity-related holdings related to insurance and reinsurance investments in associates and joint ventures and certain other equity and equity-related holdings are considered long term strategic holdings and therefore excluded from the following analysis.

During 2022 the company's equity and equity-related exposure increased, primarily reflecting share of profit of associates, an increase in the notional amount of long equity total return swaps on individual equities for investment purposes (primarily from net gains of $255.4 on the company's investment in long equity total return swaps on Fairfax subordinate voting shares), partially offset by net unrealized depreciation on common stock positions.

The company's risk management objective with respect to market price fluctuations places primary emphasis on the preservation of invested capital. In the foreseeable future, the company will remain focused on its long term value-oriented investment philosophy, seeking investments that are attractively priced, selling at a discount to intrinsic value and afford a margin of safety.

A hypothetical decrease in global equity markets of 10% and 20% at December 31, 2022 would potentially decrease the company's net earnings by $646.8 and $1,287.8 (December 31, 2021 – by $770.6 and $1,538.8). The company's long equity exposures and exposure to market price fluctuations are discussed further in note 24 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2022.

The company's holdings of common stocks, long equity total return swaps and investments in associates at December 31, 2022 and 2021 are summarized by the issuer's primary industry in the table below.

	December 31, 2022[1][2]	**December 31, 2021[1][2]**
Financials and investment funds	7,486.6	7,096.1
Commercial and industrial	4,082.3	3,151.1
Consumer products and other	1,956.0	2,177.7
	13,524.9	12,424.9

(1) Excludes other funds that are invested principally in fixed income securities at December 31, 2022 of $202.8 (December 31, 2021 – $195.5).

(2) Excludes the company's insurance and reinsurance investments in associates and joint ventures which are considered long term strategic holdings.

The company's top 10 holdings of common stocks, long equity total return swaps and investments in associates at December 31, 2022 and 2021 are summarized by the issuer's country of domicile in the table below.

	December 31, 2022[(1)(2)]	**December 31, 2021[(1)(2)]**
Canada[(3)]	5,031.0	4,089.1
United States	2,574.7	2,027.5
India[(4)]	2,156.5	2,386.9
Greece	1,624.6	1,468.1
United Kingdom	377.4	373.2
Egypt	324.4	343.4
Singapore	218.0	285.7
Thailand	147.9	104.4
China	144.0	165.6
Netherlands	130.8	173.0
All other	795.6	1,008.0
	13,524.9	12,424.9

(1) Excludes other funds that are invested principally in fixed income securities at December 31, 2022 of $202.8 (December 31, 2021 – $195.5).

(2) Excludes the company's insurance and reinsurance investments in associates and joint ventures which are considered long term strategic holdings.

(3) The year-over-year increase primarily reflects share of profits from associates and net gains on investments recognized on the company's investment in long equity total return swaps on Fairfax subordinate voting shares, partially offset by net unrealized depreciation on common stock positions.

(4) Principally held by Fairfax India, in which the company has a 34.7% economic ownership interest and the remaining 65.3% is held by non-controlling interests.

Derivatives and Derivative Counterparties

The company endeavours to limit counterparty risk through diligent selection of counterparties to its derivative contracts and through the terms of negotiated agreements. Pursuant to these agreements, counterparties are contractually required to deposit eligible collateral in collateral accounts (subject to certain minimum thresholds) for the benefit of the company based on the daily fair value of the derivative contracts. Agreements negotiated with counterparties provide for a single net settlement of all financial instruments covered by the agreement in the event of default by the counterparty, thereby permitting obligations owed by the company to a counterparty to be offset to the extent of the aggregate amount receivable by the company from that counterparty. The company's exposure to net derivative counterparty risk at December 31, 2022 was estimated to be $11.7 (December 31, 2021 – $37.6).

Refer to note 24 (Financial Risk Management, under the heading "Credit Risk – Counterparties to Derivative Contracts") to the consolidated financial statements for the year ended December 31, 2022 for a discussion and tabular analysis of the company's exposure to derivative counterparty risk.

Float

Float in the insurance industry refers to the funds available for investment that arise as an insurance or reinsurance operation receives premiums in advance of the payment of claims. The company calculates its float as the sum of its property and casualty insurance and reinsurance contract liabilities (comprised of provision for losses and loss adjustment expenses and provision for unearned premiums) and insurance contract payables, less the sum of its insurance contract receivables, recoverable from reinsurers and deferred premium acquisition costs. The annual cost (benefit) of float is calculated by expressing annual underwriting profit (loss) as a percentage of average float for the year (the simple average of float at the beginning and end of the year) and results in an annual benefit (cost) in years where the company has an underwriting profit (loss).

The following table presents the accumulated float and the cost (benefit) of generating that float for the company's property and casualty insurance and reinsurance operations. The average float increased by 14.2% in 2022 to $27,775.2, at no cost.

Year	Underwriting profit[1]	Average float	Cost (benefit) of float	Average long term Canada treasury bond yield
1986	2.5	21.6	(11.6)%	9.6%
↕				
2018	318.3	20,009.6	(1.6)%	2.4%
2019	394.5	20,149.6	(2.0)%	1.8%
2020	309.0	21,668.1	(1.4)%	1.2%
2021	801.2	24,320.9	(3.3)%	1.9%
2022	1,105.3	27,775.2	(4.0)%	2.8%
Weighted average since inception			(0.6)%	3.1%
Fairfax's weighted average net benefit of float since inception:			(3.7)%	

(1) IFRS basis for 2010 to 2022; Canadian GAAP basis for 2009 and prior. Underwriting profit of the property and casualty insurance and reinsurance subsidiaries for 2022 and 2021 is presented in note 25 (Segmented Information) to the consolidated financial statements for the year ended December 31, 2022.

The table above presents the company's weighted average benefit of float of 0.6% since inception, which means that float has not cost the company anything but instead has been a net benefit (in years of profitable underwriting the company is effectively able to borrow at no cost) compared to the cost of borrowing implied by the average long term Canada treasury bond yield since inception of 3.1%, resulting in an advantage to the company as noted in Fairfax's weighted average net benefit of float since inception of 3.7%. The company's long term goal is to increase float at no cost, by achieving combined ratios consistently below 100%, and to invest that float for positive returns.

Year-end float for the most recent five years was comprised as follows:

	Property and Casualty Insurance and Reinsurance					
Year	North American Insurers	Global Insurers and Reinsurers	International Insurers and Reinsurers	Total	Run-off[1]	Consolidated Float
2018	5,782.6	12,549.5	1,335.9	19,668.0	3,050.1	22,718.1
2019	6,043.4	13,259.4	1,328.3	20,631.1	1,747.4	22,378.5
2020	6,514.2	14,835.5	1,355.3	22,705.0	1,572.8	24,277.8
2021	7,026.9	17,262.5	1,647.4	25,936.8	1,900.1	27,836.9
2022	7,912.1	20,012.2	1,689.3	29,613.6	1,616.4	31,230.0

(1) Run-off is an operating segment included in the Life insurance and Run-off reporting segment.

During 2022 the company's consolidated float increased by $3,393.1 to $31,230.0, at no cost to the company, primarily reflecting increased business volumes at all of the company's property and casualty insurance and reinsurance reporting segments (principally from all operating companies in the Global Insurers and Reinsurers reporting segment, Crum & Forster and Northbridge). The increased float primarily resulted from increases in provision for losses and loss adjustment expenses and provision for unearned premiums, partially offset by increased reinsurance recoverables and insurance contract receivables. The company's consolidated float was also partially impacted by the decrease at Run-off principally as a result of decreased provision for losses and loss adjustment expenses reflecting Run-off's continued progress settling its claim liabilities, partially offset by net adverse prior year reserve development on asbestos, pollution and other hazards reserves.

Float, average float and cost (benefit) of float are supplementary financial measures that are calculated using amounts presented in the consolidated financial statements. Float as presented above was calculated using amounts on the consolidated balance sheets, excluding Eurolife's life operations, at December 31 as follows:

	December 31, 2022			December 31, 2021		
	As presented above	Eurolife	Consolidated	As presented above	Eurolife	Consolidated
Insurance contract payables	4,391.1	670.8	5,061.9	3,858.5	635.0	4,493.5
Insurance contract liabilities	50,011.0	2,188.6	52,199.6	44,860.5	2,486.0	47,346.5
Insurance contract receivables	(7,896.4)	(11.1)	(7,907.5)	(6,875.2)	(8.0)	(6,883.2)
Deferred premium acquisition costs	(2,162.8)	(7.5)	(2,170.3)	(1,920.3)	(3.8)	(1,924.1)
Recoverable from reinsurers	(13,112.9)	(2.9)	(13,115.8)	(12,086.6)	(3.9)	(12,090.5)
	31,230.0	2,837.9	34,067.9	27,836.9	3,105.3	30,942.2

Financial Condition

Capital Resources and Management

The company's total capital marginally decreased to $28,960.7 at December 31, 2022 from $29,068.3 at December 31, 2021. The company's property and casualty insurance and reinsurance companies continued to maintain capital above minimum regulatory levels, at levels adequate to support their issuer credit and financial strength ratings, and above internally calculated risk management levels. Changes in total capital and the components thereof, the company's capital management measures and ratios, and capital levels of the property and casualty insurance and reinsurance companies are described in note 24 (Financial Risk Management, under the heading of "Capital Management") to the consolidated financial statements for the year ended December 31, 2022.

A common measure of capital adequacy in the property and casualty industry is the ratio of net premiums written to statutory surplus (or total equity). This ratio, a supplementary financial measure which is used by the company to evaluate capital adequacy and underwriting capacity, is presented below for the property and casualty insurance and reinsurance companies:

	Net premiums written to statutory surplus	
	2022	2021
Property and Casualty Insurance and Reinsurance		
North American Insurers		
Northbridge	1.2	1.2
Crum & Forster[(1)]	1.8	1.6
Zenith National	1.0	1.0
Global Insurers and Reinsurers		
Allied World[(2)]	1.0	0.8
Odyssey Group	1.1	0.9
Brit[(1)]	1.5	1.1
International Insurers and Reinsurers		
Fairfax Asia[(3)]	0.5	0.4
Other	1.2	1.2
Industry		
Canadian insurance industry	1.1	1.1
U.S. insurance industry	0.8	0.7

(1) Net premiums written in 2021 excludes the impact of the fourth quarter 2021 reinsurance transactions at Crum & Forster and Brit which reduced net premiums written by $358.1 and $344.1, respectively.

(2) Allied World's ratios use its U.S. GAAP equity of $4,594.7 and $4,794.8 at December 31, 2022 and 2021.

(3) Total equity excludes certain holding company investments.

The issuer credit ratings and financial strength ratings of Fairfax and its property and casualty insurance and reinsurance operating companies at December 31, 2022 were as follows:

	A.M. Best	Standard & Poor's	Moody's	DBRS
Issuer Credit Ratings				
Fairfax Financial Holdings Limited	bbb	BBB	Baa3	BBB (high)
Financial Strength Ratings				
North American Insurers				
Northbridge Financial Corporation[(1)]	A	A	A3	A
Crum & Forster Holdings Corp.[(1)]	A	A	Baa1	–
Zenith National Insurance Corp.[(1)]	A	A	Baa1	–
Global Insurers and Reinsurers				
Allied World Assurance Company Holdings, Ltd[(1)]	A	A	A2	–
Odyssey Group Holdings, Inc.[(1)]	A	A	A2	–
Brit Limited[(2)]	A	A+	–	–
International Insurers and Reinsurers				
Falcon Insurance Company (Hong Kong) Limited	–	A	–	–
Singapore Reinsurance Corporation Limited	A	–	–	–
Wentworth Insurance Company Ltd.	A u	–	–	–
Polish Re	A-	–	–	–
Colonnade Insurance S.A.	A-	–	–	–

(1) Financial strength ratings apply to the operating companies.

(2) Brit's ratings are the A.M. Best and Standard & Poor's ratings assigned to Lloyd's.

During 2022, S&P upgraded the issuer credit rating of Fairfax from "BBB-" to "BBB" and the financial strength ratings of its core operating companies from "A-" to "A", and A.M. Best upgraded the financial strength rating of Singapore Re from "A-" to "A" and placed the "A" financial strength rating of Wentworth under review with negative implications. There were no other changes in the issuer credit ratings and financial strength ratings of Fairfax and its property and casualty insurance and reinsurance operating companies at December 31, 2022 compared to December 31, 2021.

Book Value Per Basic Share

Common shareholders' equity at December 31, 2022 of $15,340.7 or $657.68 per basic share compared to $15,049.6 or $630.60 per basic share at December 31, 2021, representing an increase per basic share in 2022 of 4.3% (without adjustment for the $10.00 per common share dividend paid in the first quarter of 2022; an increase of 6.0% adjusted to include that dividend).

The increase in book value per basic share was primarily due to net earnings attributable to shareholders of Fairfax of $1,147.2, other comprehensive income relating to net gains on defined benefit plans of $174.7 and a lower number of common shares effectively outstanding, partially offset by net unrealized foreign currency translation losses net of hedges of $399.1, payments of common and preferred share dividends of $295.1, purchases of subordinate voting shares for cancellation for cash consideration of $199.6 and net changes in capitalization of $173.6 (principally related to the acquisition of additional common shares of Allied World from non-controlling interests and the privatization of Recipe).

During 2022 the number of basic shares decreased primarily as a result of net purchases of 387,790 subordinate voting shares for cancellation and net purchases of 152,505 subordinate voting shares for treasury (for use in the company's share-based payment awards). At December 31, 2022 there were 23,325,305 common shares effectively outstanding.

In the most recent five years the company has not issued any common shares and has purchased common shares for cancellation as follows:

Year	Number of subordinate voting shares purchased	Average purchase price per share[(1)]	Net purchase cost
2018[(2)]	187,476	$494.46	92.7
2019[(2)]	249,361	$473.21	118.0
2020[(2)]	343,871	$293.42	100.9
2021[(3)]	2,137,923	$494.92	1,058.1
2022[(2)]	387,790	$514.71	199.6

(1) The company calculates average purchase price per share for annual periods as aggregate net purchase cost divided by the number of subordinate voting shares purchased for cancellation, calculated using amounts presented in the consolidated financial statements.

(2) Subordinate voting shares purchased for cancellation under the terms of the company's normal course issuer bids.

(3) Subordinate voting shares purchased for cancellation under a substantial issuer bid completed on December 29, 2021 for 2,000,000 shares at $500.00 per share, and under the terms of the company's normal course issuer bids for 137,923 shares.

Excess (deficiency) of fair value over carrying value

The table below presents the pre-tax excess (deficiency) of fair value over carrying value of investments in non-insurance associates and market traded consolidated non-insurance subsidiaries the company considers to be portfolio investments. Those amounts, while not included in the calculation of book value per basic share, are regularly reviewed by management as an indicator of investment performance. The aggregate pre-tax excess of fair value over carrying value of these investments at December 31, 2022 was $310.0 (December 31, 2021 – $346.4).

	December 31, 2022			December 31, 2021		
	Fair value	Carrying value	Excess (deficiency) of fair value over carrying value	Fair value	Carrying value	Excess (deficiency) of fair value over carrying value
Non-insurance associates[(1)]:						
Eurobank	1,344.5	1,507.6	(163.1)	1,210.3	1,298.5	(88.2)
Atlas	1,864.7	1,506.3	358.4	1,285.8	922.1	363.7
Quess	222.2	447.1	(224.9)	514.1	492.1	22.0
All other	2,252.9	1,957.0	295.9	1,531.7	1,404.3	127.4
	5,684.3	5,418.0	266.3	4,541.9	4,117.0	424.9
Non-insurance companies[(2)]:						
Restaurants and other[(3)]	174.8	278.2	(103.4)	731.8	906.2	(174.4)
Fairfax India	585.3	517.0	68.3	535.0	444.1	90.9
Thomas Cook India	292.8	214.0	78.8	259.0	254.0	5.0
	1,052.9	1,009.2	43.7	1,525.8	1,604.3	(78.5)
	6,737.2	6,427.2	310.0	6,067.7	5,721.3	346.4

(1) The fair values and carrying values of non-insurance associates represent their fair values and carrying values as presented in note 6 (Investments in Associates) to the consolidated financial statements for the year ended December 31, 2022, and excludes investments in associates held by Fairfax India (including Bangalore Airport), Recipe, Thomas Cook India (including its share of Quess), Dexterra Group and Boat Rocker as those amounts are already included in the carrying values of the consolidated non-insurance companies used in this performance measure. Refer to the Glossary of Non-GAAP and Other Financial Measures in this MD&A for details.

(2) *The fair values of the company's investments in market traded non-insurance companies – Recipe (privatized in 2022), Fairfax India, Thomas Cook India, Dexterra Group, Boat Rocker and Farmers Edge – are calculated as the company's pro rata ownership share of each subsidiary's market capitalization, as determined by traded share prices at the financial statement date. The carrying value of each subsidiary represents its total equity as included in the company's consolidated financial statements for the year ended December 31, 2022, less the subsidiary's non-controlling interests as presented in note 16 (Total Equity) to those consolidated financial statements. Recipe was delisted from the Toronto Stock Exchange in 2022 following the privatization transaction described in note 23 (Acquisitions and Divestitures) to the consolidated financial statements for the year ended December 31, 2022 and as a result is not included in the table above at December 31, 2022. At December 31, 2021 Thomas Cook India's fair value and carrying value include preferred shares held by the company that are eliminated on consolidation. Refer to the Glossary of Non-GAAP and Other Financial Measures in this MD&A for details.*

(3) *Comprised of Dexterra Group, Boat Rocker and Farmers Edge in both periods, and Recipe in 2021. Boat Rocker and Farmers Edge were included commencing in 2021 upon completion of their respective initial public offerings.*

Normal course issuer bid

Following the expiry on September 29, 2022 of its then current normal course issuer bid, on September 30, 2022 the company commenced a normal course issuer bid pursuant to which it is authorized, until expiry of the bid on September 29, 2023, to acquire up to 2,381,484 subordinate voting shares, 751,034 Series C preferred shares, 178,415 Series D preferred shares, 543,613 Series E preferred shares, 179,629 Series F preferred shares, 771,984 Series G preferred shares, 228,015 Series H preferred shares, 1,042,010 Series I preferred shares, 157,989 Series J preferred shares, 950,000 Series K preferred shares and 919,600 Series M preferred shares, representing approximately 10% of the public float in respect of the subordinate voting shares and each series of preferred shares. Decisions regarding any future purchases will be based on market conditions, share price and other factors including opportunities to invest capital for growth. The Notice of Intention to Make a Normal Course Issuer Bid is available by contacting the Corporate Secretary of the company.

The company's indirect ownership of its own shares through The Sixty Two Investment Company Limited results in an effective reduction of shares outstanding by 799,230, and this reduction has been reflected in the earnings per share, net earnings per diluted share and book value per basic share figures.

Liquidity

The following table presents major components of cash flows for the years ended December 31:

	2022	2021
Operating activities		
Cash provided by operating activities before net purchases of investments classified at FVTPL	5,220.3	4,026.6
Net (purchases) sales of investments classified at FVTPL	(9,640.2)	2,614.4
	(4,419.9)	6,641.0
Investing activities		
Purchases of investments in associates	(363.5)	(175.4)
Sales of investments in associates	192.9	809.2
Purchases of subsidiaries, net of cash acquired	(229.9)	1,259.5
Proceeds from sale of insurance subsidiaries, net of cash divested	1,109.0	85.4
Proceeds from sale of non-insurance subsidiaries, net of cash divested	10.5	186.8
Net purchases of premises and equipment and intangible assets	(418.9)	(353.9)
Net sales of investment property	84.7	27.0
	384.8	1,838.6
Financing activities		
Net proceeds from borrowings – holding company and insurance and reinsurance companies	743.4	1,250.0
Repayments of borrowings – holding company and insurance and reinsurance companies	(0.3)	(932.9)
Net repayments to holding company revolving credit facility	–	(700.0)
Net repayments to other revolving credit facilities – insurance and reinsurance companies	(35.0)	(84.3)
Net proceeds from borrowings – Non-insurance companies	47.0	499.1
Repayments of borrowings – Non-insurance companies	(25.3)	(593.9)
Net borrowings from (repayments to) revolving credit facilities and short term loans – Non-insurance companies	304.1	(262.0)
Principal payments on lease liabilities – holding company and insurance and reinsurance companies	(68.5)	(64.6)
Principal payments on lease liabilities – Non-insurance companies	(138.9)	(162.8)
Purchases of subordinate voting shares for treasury (for share-based payment awards)	(148.2)	(132.6)
Purchases of subordinate voting shares for cancellation	(199.6)	(1,058.1)
Issuances of subsidiary shares to non-controlling interests	167.5	1,603.2
Purchases of subsidiary shares from non-controlling interests	(1,384.7)	(233.0)
Sales of subsidiary common shares to non-controlling interests	–	174.8
Common and preferred share dividends paid	(295.1)	(316.6)
Dividends paid to non-controlling interests	(261.0)	(175.6)
	(1,294.6)	(1,189.3)
Increase (decrease) in cash and cash equivalents during the year	(5,329.7)	7,290.3

For details of the transactions discussed below, see note 6 (Investments in Associates), note 15 (Borrowings), note 16 (Total Equity) and note 23 (Acquisitions and Divestitures) to the consolidated financial statements for the year ended December 31, 2022.

Operating activities for the years ended December 31, 2022 and 2021

Cash provided by operating activities (excluding net purchases of investments classified at FVTPL) increased to $5,220.3 in 2022 from $4,026.6 in 2021, principally reflecting higher net premium collections, partially offset by higher net paid losses and higher income taxes paid. Refer to the consolidated statements of cash flows and to

note 27 (Supplementary Cash Flow Information) to the consolidated financial statements for the year ended December 31, 2022 for details of operating activities, including net purchases of investments classified at FVTPL.

Investing activities for the year ended December 31, 2022

Purchases of investments in associates of $363.5 primarily reflected increased investment in Atlas common shares through the exercise of equity warrants with a strike price of $8.05 per share for aggregate cash consideration of $201.3 and purchases of Atlas common shares held through AVLNs entered with RiverStone Barbados for cash consideration of $84.4.

Purchases of subsidiaries, net of cash acquired of $229.9 primarily reflected the acquisition of Grivalia Hospitality for cash consideration of $194.6, net of Grivalia Hospitality's cash balance of $56.6.

Proceeds from sale of insurance subsidiaries, net of cash divested of $1,109.0 primarily reflected the company's sale of the Crum & Forster Pet Insurance Group and Pethealth for cash consideration of $1.15 billion, net of selling expenses and cash divested.

Investing activities for the year ended December 31, 2021

Purchases of investments in associates of $175.4 primarily related to increased investments in Gulf Insurance, HFP and a Fairfax India associate.

Sales of investments in associates of $809.2 primarily related to the sale of the joint venture interest in RiverStone Barbados, a partial sale of the investment in IIFL Finance, and dividends and distributions received from associates and joint ventures.

Purchases of subsidiaries, net of cash acquired of $1,259.5 primarily reflected the acquisition of OMERS' joint venture interest in Eurolife for cash consideration of $142.7, net of Eurolife's cash balance of $1,433.3, and an additional investment in Singapore Re.

Proceeds from sale of insurance subsidiaries, net of cash divested of $85.4 primarily reflected Allied World's sale of its majority interest in Vault Insurance.

Proceeds from sale of non-insurance subsidiaries, net of cash divested of $186.8 primarily reflected Fairfax India's sale of its 48.8% equity interest in Privi.

Financing activities for the year ended December 31, 2022

Proceeds from borrowings – holding company and insurance and reinsurance companies of $743.4 principally reflected net proceeds from the issuance of $750.0 principal amount of 5.625% unsecured senior notes due 2032.

Net borrowings from revolving credit facilities and short term loans – non-insurance companies of $304.1 primarily reflected an increase in borrowings by Recipe of $99.8 (Cdn$135.9) in connection with its privatization transaction, and Boat Rocker and AGT's additional borrowings on their revolving credit facilities to support growth.

Issuances of subsidiary shares to non-controlling interests of $167.5 primarily reflected a third party's investment in Brit's subsidiary, Ki Insurance.

Purchases of subsidiary shares from non-controlling interests of $1,384.7 primarily reflected the company's acquisition of additional common shares of Allied World from non-controlling interests for cash consideration of $650.0, an additional investment made in connection with the privatization of Recipe for cash consideration of $342.3 (Cdn$465.9), purchases of certain securities held through AVLNs entered with RiverStone Barbados, purchases of common shares of Fairfax India from non-controlling interests and purchases of common shares under normal course issuer bids by Fairfax India.

Dividends paid to non-controlling interests of $261.0 primarily reflected dividends paid by Allied World, Odyssey Group and Brit to their minority shareholders.

Financing activities for the year ended December 31, 2021

Net proceeds from borrowings – holding company and insurance and reinsurance companies of $1,250.0 principally reflected net proceeds from issuances of $671.6 (Cdn$850.0) principal amount of 3.95% unsecured senior notes and $600.0 principal amount of 3.375% unsecured senior notes, both due 2031.

Repayments – holding company and insurance and reinsurance companies of $932.9 primarily reflected the holding company's use of the net proceeds from its $671.6 (Cdn$850.0) unsecured senior notes to redeem on March 29, 2021 its $353.5 (Cdn$446.0) principal amount of 5.84% unsecured senior notes due 2022 and $317.1 (Cdn$400.0) principal amount of 4.50% unsecured senior notes due 2023 (which incurred an aggregate loss on redemption of $45.7), Odyssey Group's redemption of $90.0 principal amount of its unsecured senior notes upon maturity, the holding company's redemption of its $85.0 principal amount of 4.142% unsecured senior notes due 2024, and Crum & Forster's redemption of $41.4 principal amount of First Mercury trust preferred securities.

Net repayments on the holding company revolving credit facility of $700.0 reflected the full repayment of the draw in 2020.

Net proceeds from borrowings – non-insurance companies of $499.1 primarily reflected net proceeds from Fairfax India's issuance of $500.0 principal amount of 5.00% unsecured senior notes due 2028.

Repayments – non-insurance companies of $593.9 primarily reflected Fairfax India's repayment of its $550.0 floating rate term loan using the net proceeds of its senior notes issuance described above.

Net repayments to revolving credit facilities and short term loans – non-insurance companies of $262.0 primarily reflected repayments by Boat Rocker upon completion of its initial public offering, and Sporting Life, Recipe and AGT's partial repayments of their revolving credit facilities.

Purchases of subordinate voting shares for cancellation of $1,058.1 principally related to 2,000,000 subordinate voting shares purchased for cancellation through a $1.0 billion substantial issuer bid completed on December 29, 2021 at $500.00 per share.

Issuances of subsidiary shares to non-controlling interests of $1,603.2 primarily reflected the sale of non-controlling interests in Odyssey Group and Brit, and initial public offerings by Farmers Edge and Boat Rocker.

Purchases of subsidiary shares from non-controlling interests of $233.0 primarily reflected purchases of common shares under a substantial issuer bid by Fairfax India.

Sales of subsidiary shares to non-controlling interests of $174.8 principally reflected Fairfax India's sale of an 11.5% equity interest in its subsidiary Anchorage.

Dividends paid to non-controlling interests of $175.6 primarily reflected dividends paid by Allied World to its minority shareholders.

Holding Company

Holding company cash and investments at December 31, 2022 was $1,345.8 ($1,326.4 net of $19.4 of holding company derivative obligations) compared to $1,478.3 ($1,446.2 net of $32.1 of holding company derivative obligations) at December 31, 2021.

Significant cash and investment transactions at the holding company during 2022 included the acquisition of additional common shares of Allied World from non-controlling interests for cash consideration of $650.0, purchases of certain securities held through AVLNs entered with RiverStone Barbados of $346.5, the payment of common and preferred share dividends of $295.1, net gains of $255.4 on the company's investment in long equity total return swaps on Fairfax subordinate voting shares, purchases for cancellation of 387,790 subordinate voting shares under the terms of the company's normal course issuer bids at a cost of $199.6, and cash capital contributions to U.S. Run-off of $240.0, Fairfax Brasil of $108.0, Wentworth of $50.0 and Odyssey Group operating companies of $50.0, partially offset by a special dividend of $940.0 received from Crum & Forster as a result of the sale of its Pet Insurance Group and Pethealth, net proceeds of $743.4 from the issuance of unsecured senior notes due in 2032 and dividends received from the insurance and reinsurance companies of $380.9.

The carrying value of holding company cash and investments was also affected by the receipt of investment management and administration fees, disbursements for corporate overhead expenses, interest paid on borrowings and changes in the fair value of holding company investments.

The company believes that holding company cash and investments, net of holding company derivative obligations at December 31, 2022 of $1,326.4 provides adequate liquidity to meet the holding company's known commitments in 2023. The holding company expects to continue to receive investment management and administration fees from its insurance and reinsurance subsidiaries and Fairfax India, investment income on its holdings of cash and investments, and dividends from its insurance and reinsurance subsidiaries. To further augment its liquidity, the holding company can draw upon its $2.0 billion unsecured revolving credit facility, which was undrawn at December 31, 2022.

The holding company's known significant commitments for 2023 consist of payment of a common share dividend of $245.2 ($10.00 per common share, paid in January 2023), interest and corporate overhead expenses, preferred share dividends, income tax payments, potential payments on amounts borrowed from the revolving credit facility and other investment related activities. Additionally, pursuant to the sale of RiverStone Barbados as described in note 23 (Acquisitions and Divestitures) to the consolidated financial statements for the year ended December 31, 2022, the company has guaranteed the remaining value of $486.8 at December 31, 2022 of certain securities that remain held by CVC and certain affiliates thereof until such time that the securities are purchased by or sold at the direction of Hamblin Watsa, prior to the end of 2023. Should the company direct that the securities be sold, any difference between their fair value and guaranteed value will be settled in cash (a derivative asset of $30.7 at December 31, 2022). The company may also in 2023 make payments related to its insurance and reinsurance companies to support their underwriting initiatives in the continued favourable insurance markets.

Insurance and reinsurance

During 2022 subsidiary cash and short term investments (including cash and short term investments pledged for derivative obligations) decreased by $12,399.1 principally reflected the use of existing cash and proceeds from sales and maturities of U.S. treasury and Canadian provincial short term investments into U.S. treasury and Canadian government bonds with 1 to 3 year terms of $8,287.0 and $609.3, and short-dated high quality corporate bonds of $2,202.6 (principally comprised of investments in first mortgage loans).

The insurance and reinsurance subsidiaries may experience cash inflows or outflows on occasion related to their derivative contracts, including collateral requirements. During 2022 the insurance and reinsurance subsidiaries paid net cash of $30.9 in connection with long equity total return swaps (2021 – received net cash of $176.9), excluding the impact of collateral requirements.

Non-insurance companies

The non-insurance companies have principal repayments coming due in 2023 of $371.8, primarily related to AGT's credit facilities. Borrowings of the non-insurance companies are non-recourse to the holding company and are generally expected to be settled through a combination of refinancing and operating cash flows.

Contractual Obligations

For details of the company's contractual obligations, including the maturity profile of financial liabilities, please see note 24 (Financial Risk Management, under the heading "Liquidity Risk") to the consolidated financial statements for the year ended December 31, 2022.

Contingencies and Commitments

For a full description of these matters, please see note 20 (Contingencies and Commitments) to the consolidated financial statements for the year ended December 31, 2022.

Accounting and Disclosure Matters

Management's Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), the company conducted an evaluation of the effectiveness of its disclosure controls and procedures as of December 31, 2022, as required by Canadian and U.S. securities legislation. Disclosure controls and procedures are designed to ensure that the information required to be disclosed by the company in the reports it files or submits under securities legislation is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and reported to the company's CEO and CFO, as appropriate, to allow required disclosures to be made in a timely fashion. Based on their evaluation, the CEO and CFO have concluded that, as of December 31, 2022, the company's disclosure controls and procedures were effective.

Management's Report on Internal Control Over Financial Reporting

The company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the United States Securities Exchange Act of 1934, as amended, and under National Instrument 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings* of the Canadian Securities Administrators). The company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial

statements for external purposes in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). A company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS as issued by the IASB, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The company's management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2022. In making this assessment, the company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control – Integrated Framework (2013).* Based on this assessment, the company's management, including the CEO and CFO, concluded that, as of December 31, 2022, the company's internal control over financial reporting was effective based on the criteria in *Internal Control – Integrated Framework (2013)* issued by COSO.

Pursuant to the requirements of the United States Securities Exchange Act of 1934, as amended, the effectiveness of the company's internal control over financial reporting as of December 31, 2022 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report which appears within this Annual Report.

Critical Accounting Estimates and Judgments

Please see note 4 (Critical Accounting Estimates and Judgments) to the consolidated financial statements for the year ended December 31, 2022.

Significant Accounting Policy Changes

For a detailed description of the company's accounting policies and changes thereto during 2022, please see note 3 (Summary of Significant Accounting Policies) to the consolidated financial statements for the year ended December 31, 2022.

Future Accounting Changes

New standards and amendments that have been issued but are not yet effective are described in note 3 (Summary of Significant Accounting Policies) to the consolidated financial statements for the year ended December 31, 2022. The company does not expect to adopt any of those new standards and amendments in advance of their respective effective dates except where otherwise specified.

IFRS 17 Insurance Contracts

For a detailed description of IFRS 17 Insurance Contracts, please see note 3 (Summary of Significant Accounting Policies) to the consolidated financial statements for the year ended December 31, 2022.

On January 1, 2023 the company adopted IFRS 17 which will first be presented in the company's consolidated financial reporting in the first quarter of 2023, with comparative periods restated. IFRS 17 brings considerable changes to the recognition, measurement, presentation and disclosure of the company's insurance contracts. It will not, however, affect the company's underwriting strategy, its prudent reserving, management's use of the traditional performance metrics of gross premiums written, net premiums written and combined ratios, or the company's cash flows.

The company anticipates recording a transition adjustment to increase opening common shareholders' equity as at January 1, 2022 which is not expected to exceed 2.5% of common shareholders' equity as at December 31, 2021, and will primarily reflect:

- a decrease to insurance contract liabilities from the introduction of discounting claims reserves which the company does not include within the measurement under IFRS 4; and

- the deferral of additional insurance acquisition costs which were previously expensed as incurred (as a result of IFRS 17's broader definition of insurance acquisition costs compared with the company's current policy under IFRS 4); partially offset by
- an increase to insurance contract liabilities with the introduction of a new risk adjustment for uncertainty related to the timing and amount of cash flows arising from non-financial risks; and
- the recognition of a loss component for contracts that are considered onerous at initial recognition.

The changes to the presentation and disclosure of the company's insurance and reinsurance business within the consolidated financial statements will be considerable and will primarily include:

Consolidated Statement of Earnings

- gross premiums earned as presented in the consolidated statement of earnings will be replaced with Insurance contract revenue which will remain principally unchanged but will reflect the netting of certain commission expenses against Insurance contract revenue which were separately presented as commission expense under IFRS 4;
- premiums ceded to reinsurers, losses on claims ceded to reinsurers, and the associated reinsurance expenses and commission income included within operating expenses and commissions, net as presented in the consolidated statement of earnings will be presented as a net result (Net reinsurance result) within the consolidated statement of earnings;
- all insurance related expenses that are currently presented on the consolidated statement of earnings including gross losses on claims, operating expenses, gross commissions will be presented as a single expense within the consolidated statement of earnings as Insurance service expense. Insurance service expense will exclude certain costs which are determined to not be directly attributable to the writing and fulfilling of insurance contracts which are currently included within underwriting results as shown in the notes to the consolidated financial statements and the MD&A under IFRS 4. These costs will be presented below the Insurance service result (discussed below);
- the introduction of a new measure, the Insurance service result, representing the sum of insurance contract revenues less insurance service expenses and the net reinsurance result; and
- the introduction of Insurance finance income or expense for both gross and ceded insurance contracts which primarily represents the impact from discounting insurance reserves including both the unwind of the discount and the effects of changes in discount rates.

Consolidated Balance Sheets

- the presentation of gross insurance balances including certain insurance contract receivables, deferred premium acquisition costs, certain insurance contract payables, and insurance contract liabilities will be presented net on a single line on the consolidated balance sheet reported in Insurance contract liabilities or Insurance contract assets; and
- the presentation of ceded insurance balances including recoverable from reinsurers, ceded deferred premium acquisition costs, and other ceded assets and liabilities will be presented net on a single line on the consolidated balance sheet reported in Reinsurance contract assets or Reinsurance contract liabilities.

Given the increasing interest rate environment experienced throughout 2022 and the beneficial impact it will have on the discounting of claims reserves under IFRS 17, the company anticipates recording a material benefit to the restated consolidated statement of earnings for the full year of 2022 and common shareholders' equity as at December 31, 2022.

With the company's underwriting strategy remaining unchanged and management continuing the use of the traditional performance metrics of gross premiums written, net premiums written and combined ratios to evaluate and describe the results of the insurance and reinsurance operations, these metrics will continue to be presented within the MD&A and will include reconciliations to the amounts presented within the financial statements under IFRS 17.

Risk Management

Overview

The primary goals of the company's financial risk management program are to ensure that the outcomes of activities involving elements of risk are consistent with the company's objectives and risk tolerance, while

maintaining an appropriate balance between risk and reward and protecting the company's consolidated balance sheet from events that have the potential to materially impair its financial strength. Please see note 24 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2022 for a detailed discussion of the company's risk management policies.

Issues and Risks

The following issues and risks, among others, should be considered in evaluating the outlook of the company. Additional detail on the company's issues and risks, including those risks discussed below, can be found in the section entitled "Risk Factors" in the company's most recent Short Form Base Shelf Prospectus and Supplements filed with the securities regulatory authorities in Canada, which are available on SEDAR at www.sedar.com.

Insurance

Claims Reserves

Reserves are maintained to cover the estimated ultimate unpaid liability for losses and loss adjustment expenses with respect to insurance and reinsurance policies underwritten by the company at the end of each reporting period. The company's success is dependent upon its ability to accurately assess the risks associated with the businesses being insured or reinsured. Failure to accurately assess the risks assumed may lead to the setting of inappropriate premium rates and establishing reserves that are inadequate to cover the company's losses. This could adversely affect the company's net earnings and financial condition in future reporting periods.

Reserves do not represent an exact calculation of liability, but instead represent estimates at a point in time involving actuarial and statistical projections of the company's expectations of the ultimate settlement of claims incurred and the associated claims adjustment expense. Establishing an appropriate level of claims reserves is an inherently uncertain process. Both proprietary and commercially available actuarial models, as well as historical insurance industry loss development patterns, are utilized to establish appropriate claims reserves.

In contrast to casualty losses, which frequently can be determined only through lengthy and unpredictable litigation, property losses tend to be reported promptly and are usually settled within a shorter period of time. Nevertheless, for both casualty and property losses, actual claims and claim expenses ultimately paid may deviate, perhaps substantially, from the reserve estimates reflected in the company's consolidated 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 and social inflation, legal trends and legislative changes. Many of these items are not directly quantifiable, particularly on a prospective basis.

The company's management of pricing and reserving risk is discussed in note 24 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2022.

Catastrophe Exposure

The company's insurance and reinsurance operations are exposed to claims arising from catastrophes. The company has experienced and will, in the future, experience catastrophe losses that may materially reduce the company's profitability or harm its financial condition. Catastrophes can be caused by various events, including natural events such as hurricanes, windstorms, earthquakes, tornadoes, hailstorms, severe winter weather and fires, and unnatural events such as terrorist attacks and riots. Weather-related losses have increased in recent years, in part due to climate change which represents a significant emerging risk that will continue to increase the inherent unpredictability of both the frequency and severity of weather-related catastrophe losses.

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. Catastrophes can cause losses in a variety of property and casualty lines, including losses relating to business interruptions occurring in the same geographic area as the catastrophic event or in the other geographic areas. It is possible that a catastrophic event or multiple catastrophic events could have a material adverse effect on the company's financial condition, profitability or cash flows. The company believes that increases in the value and geographic concentration of insured property, higher construction costs due to labour and raw material shortages following a significant catastrophe event could increase the number and severity of claims from catastrophic events in the future. The company's management of catastrophe risk is discussed in note 24 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2022.

Cyclical Nature of the Property & Casualty Business

The financial performance of the insurance and reinsurance industries has historically tended to fluctuate due to competition, frequency or severity of both catastrophic and non-catastrophic events, levels of capital and underwriting 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. Factors such as changes in the level of employment, wages, consumer spending, business investment and government spending, the volatility and strength of the global capital markets and inflation or deflation all affect the business and economic environment and, ultimately, the demand for insurance and reinsurance products, and therefore may affect the company's net earnings, financial position or cash flows.

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 pricing. The company expects to continue to experience the effects of this cyclicality, which, during down periods, could significantly reduce the amount of premiums the company writes and could harm its financial position, profitability or cash flows.

In the reinsurance industry, the supply of reinsurance is related to prevailing prices and levels of underwriting capacity surplus that, in turn, may fluctuate in response to changes in rates of return being realized in the broader capital markets. If premium rates change or other reinsurance policy terms and conditions change expanding coverage, particularly if the present level of demand for reinsurance decreases because insurers require less reinsurance or the level of supply of reinsurance increases as a result of capital provided by existing reinsurers or alternative forms of reinsurance capacity enter the market, the profitability of the company's reinsurance business could be adversely affected.

The company actively manages its operations to withstand the cyclical nature of the property and casualty business by maintaining sound liquidity and strong capital management as discussed in note 24 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2022.

Latent Claims

The company has established loss reserves for asbestos, environmental and other types of latent hazard claims that represent its best estimate of ultimate claims and claims adjustment expenses based upon all known facts and current law. As a result of significant issues surrounding liabilities of insurers, risks inherent in major litigation and diverging legal interpretations and judgments in different jurisdictions, actual liability for these types of claims could exceed the loss reserves set by the company by an amount that could be material to the company's financial condition, profitability or cash flows in future periods.

The company's exposure to asbestos, environmental and other latent hazard claims is discussed in the Asbestos, Pollution and Other Latent Hazards section of this MD&A. The company's management of reserving risk is discussed in note 24 (Financial Risk Management) and in note 8 (Insurance Contract Liabilities) to the consolidated financial statements for the year ended December 31, 2022.

Recoverable from Reinsurers and Insureds

Most insurance and reinsurance companies reduce their exposure to any individual claim by reinsuring amounts in excess of their maximum desired retention. Reinsurance is an arrangement in which an insurer, called the cedant, transfers insurance risk to another insurer, called the reinsurer, which accepts the risk in return for a premium payment. This third party reinsurance does not relieve the company, as a cedant, of its primary obligation to the insured. Recoverable from reinsurers balances may become uncollectible due to reinsurer solvency and credit concerns, due to the potentially long time period over which claims may be paid and the resulting recoveries may be received from the reinsurers, or due to policy disputes. If reinsurers are unwilling or unable to pay the company amounts due under reinsurance contracts, the company may incur unexpected losses and its operations, financial condition and cash flows could be adversely affected. The credit risk associated with the company's reinsurance recoverable balances is described in note 24 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2022 and in the Recoverable from Reinsurers section of this MD&A.

The company's insurance and reinsurance companies 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 the company's insurance and reinsurance companies for certain losses. Accordingly, the company's insurance and reinsurance companies bear credit risk on these policies as there is no assurance that the insureds will provide reimbursement on a timely basis or at all.

Competition

The property and casualty insurance industry and the reinsurance industry are both highly competitive, and will likely remain highly competitive in the foreseeable future. Competition in these industries is based on many factors, including premiums charged and other terms and conditions offered, products and services provided, commission structure, 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. The company competes, and will continue to compete, with a large number of Canadian, U.S. and foreign insurers and reinsurers, as well as certain underwriting syndicates, some of which have greater financial, marketing and management resources than the company. In addition, some financial institutions, such as banks, are now able to offer services similar to those offered by the company's reinsurance subsidiaries while in recent years, capital market participants have also created alternative products that are intended to compete with reinsurance products.

Consolidation within the insurance industry could result in insurance and reinsurance market participants using their market power to implement price reductions. If competitive pressures compel the company to reduce its prices, the company's operating margins would decrease. As the insurance industry consolidates, competition for customers could become more intense and the importance of acquiring and properly servicing each customer could become greater, causing the company to incur greater expenses relating to customer acquisition and retention and further reducing operating margins. The company's management of pricing risk is discussed in note 24 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2022.

Emerging Claim and Coverage Issues

The provision for claims is an estimate and may be found to be deficient, perhaps significantly, in the future as a result of unanticipated frequency or severity of claims or for a variety of other reasons including unpredictable judicial rulings, expansion of insurance coverage to include exposures not contemplated at the time of policy issue (as was the case with asbestos and pollution exposures), extreme weather events, civil unrest and pandemics. Unanticipated developments in the law as well as changes in social and environmental conditions could result in unexpected claims for coverage under insurance and reinsurance contracts. With respect to casualty lines of business, these legal, social and environmental changes may not become apparent until some time after their occurrence.

The full effects of these and other unforeseen emerging claim and coverage issues are extremely hard to predict. As a result, the full extent of the company's liability under its coverages, and in particular its casualty insurance policies and reinsurance contracts, may not be known until many years after a policy or contract is issued. The company's exposure to this uncertainty is greatest in its "long-tail" casualty lines of business where claims can typically be made for many years, rendering them more susceptible to these trends than in the property insurance lines of business, which is more typically "short-tail". In addition, the company could be adversely affected by the growing trend of plaintiffs targeting participants in the property-liability insurance industry in purported class action litigation relating to claims handling and other practices.

Although loss exposure is limited by geographic diversification and the company seeks to limit its loss exposure by employing a variety of policy limits and other terms and conditions and through prudent underwriting of each program written, there can be no assurance that such measures will be successful in limiting the company's loss exposure. The company's management of reserving risk is discussed in note 24 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2022 and in the Asbestos, Pollution and Other Latent Hazards section of this MD&A.

Cost of Reinsurance and Adequate Protection

The company uses reinsurance arrangements, including reinsurance of its own reinsurance business purchased from other reinsurers, referred to as retrocessionaires, to help manage its exposure to property and casualty risks. The availability of reinsurance and the rates charged by reinsurers are subject to prevailing market conditions, both in terms of price and available capacity, which can affect the company's business volume and profitability. Reinsurance companies can also add or exclude certain coverages from, or alter terms in, the policies they offer. Some exclusions are with respect to risks which the company cannot exclude in its policies due to business or regulatory constraints, such as coverage with respect to acts of terrorism, mold and cyber risk. Reinsurers may also impose 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, the company's 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 the company to greater risk and greater potential losses.

The rates charged by reinsurers and the availability of reinsurance to the company's insurance and reinsurance subsidiaries will generally reflect the recent loss experience of the company and of the industry overall. Reinsurance pricing has continued to firm as a result of catastrophe losses in recent years and the effects of social inflation in the United States. The retrocession market continues to experience significant rate increases due to increased catastrophe activity in recent years. Each of the company's insurance and reinsurance subsidiaries continue to evaluate the relative costs and benefits of accepting more risk on a net basis, reducing exposure on a direct basis, and paying additional premiums for reinsurance.

Reliance on Distribution Channels

The company uses brokers to distribute its business and in some instances will distribute through agents or directly to customers. The company may also conduct business through third parties such as managing general agents where it is cost effective to do so and where the company can control the underwriting process to ensure its risk management criteria are met. Each of these channels has its own distinct distribution characteristics and customers. A large majority of the company's business is generated by brokers (including international reinsurance brokers with respect to the company's reinsurance operations), with the remainder split among the other distribution channels. This is substantially consistent across the company's insurance and reinsurance subsidiaries.

The company's insurance operations have relationships with many different types of brokers including independent retail brokers, wholesale brokers and national brokers depending on the particular jurisdiction, while the company's reinsurance operations are dependent primarily on a limited number of international reinsurance brokers. The company transacts business with these brokers on a non-exclusive basis. These independent brokers also transact the business of the company's competitors and there can be no assurance as to their continuing commitment to distribute the company's insurance and reinsurance products. The continued profitability of the company depends, in part, on the marketing efforts of independent brokers and the ability of the company to offer insurance and reinsurance products and maintain financial ratings that meet the requirements and preferences of such brokers and their policyholders.

Because the majority of the company's brokers are independent, there is limited ability to exercise control over them. In the event that an independent broker exceeds its authority by binding the company on a risk which does not comply with the company's underwriting guidelines, the company may be at risk for that policy until the application is received and a cancellation effected. Although to date the company has not experienced a material loss from improper use of binding authority by its brokers, any improper use of such authority may result in losses that could have a material adverse effect on the business, financial condition, profitability or cash flows of the company. The company's insurance and reinsurance subsidiaries closely manage and monitor broker relationships and regularly audit broker compliance with the company's established underwriting guidelines.

Guaranty Funds and Shared Markets

Virtually all U.S. states require insurers licensed to do business in their state to bear a portion of the loss suffered by some insureds as a result of impaired or insolvent insurance companies. Many states also have laws that establish second-injury funds to provide compensation to injured employees for aggravation of a prior condition or injury. In addition, as a condition to the ability to conduct business in various jurisdictions, some of the company's 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 the company's U.S. insurance subsidiaries in any given period or limit their ability to grow their business. Similarly, the company's Canadian insurance subsidiaries contribute to mandatory guaranty funds that protect insureds in the event of a Canadian property and casualty insurer becoming insolvent, and certain of the company's Asian insurance subsidiaries participate in mandatory pooling arrangements in their local markets.

Investments

Investment Portfolio

Investment returns are an important part of the company's overall profitability as the company's operating results depend in part on the performance of its investment portfolio. The company's investment portfolio includes bonds and other debt instruments, common stocks, preferred stocks and derivative instruments. Accordingly, fluctuations

in the fixed income or equity markets could have an adverse effect on the company's financial condition, profitability or cash flows. Investment income is derived from interest and dividends, together with net gains or losses on investments. The portion derived from net gains or losses on investments generally fluctuates from year to year and is typically a less predictable source of investment income than interest and dividends, particularly in the short term. The return on the portfolio and the risks associated with the investments are affected by the asset mix, which can change materially depending on market conditions.

The uncertainty around the ultimate amount and the timing of the company's claim payments may force it to liquidate securities, which may cause the company to incur losses. If the company structures its investments improperly relative to its liabilities, it may be forced to liquidate investments prior to maturity at a significant loss to cover such liabilities. Realized and unrealized investment losses resulting from a decline in value could significantly decrease the company's net earnings.

The ability of the company to achieve its investment objectives is affected by general economic conditions that are beyond its 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 the company's control. General economic conditions, stock market conditions, environmental conditions, climate change and many other factors can also adversely affect the equity markets and, consequently, the value of the equities owned.

Inflation rates in jurisdictions in which the company operates or invests have increased significantly in 2022, rising above the target inflation rate ranges set by governing central banks. A significant portion of the upward pressure on prices has been attributed to the rising costs of labour, energy, food, motor vehicles and housing, as well as overall challenges involved in reopening and managing the economy throughout the COVID-19 pandemic and continuing global supply-chain disruptions. Inflationary increases may or may not be transitory and future inflation may be impacted by reductions or increases in labour market constraints, supply-chain disruptions and commodity prices. However, any sustained upward trajectory in the inflation rate and corresponding increases to interest rates would likely have an adverse impact on the company's operating results and its investments. Inflationary pressures in the jurisdictions in which the company operates or invests will continue to be monitored to assess any potential effects on the company's operating results and investments.

In addition, defaults by third parties who fail to pay or perform on their obligations could reduce the company's investment income and net gains on investment or result in investment losses. The company's management of credit risk, liquidity risk, market risk and interest rate risk is discussed in note 24 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2022.

Derivative Instruments

The company may be a counterparty to various derivative instruments, for investment purposes or for general protection against declines in the fair value of its financial assets. Derivative instruments may be used to manage or reduce risks or as a cost-effective way to synthetically replicate the investment characteristics of an otherwise permitted investment. The market value and liquidity of these instruments are volatile and may vary dramatically up or down in short periods, and these circumstances may be exacerbated by adverse economic conditions, fluctuations in interest rates and volatility in the public markets and their ultimate value will therefore only be known upon their disposition or settlement.

The company's use of derivative instruments is governed by its investment policies and exposes the company to a number of risks, including credit risk, interest rate risk, liquidity risk, inflation risk, market risk, basis risk and counterparty risk. If the counterparties to the company's derivative instruments fail to honor their obligations under the derivative instrument agreements, the company may lose the value of its derivative instruments, which failure could have an adverse effect on the company's financial condition, profitability or cash flows. The company endeavors to limit counterparty risk through diligent selection of counterparties to its derivative instruments and through the terms of agreements negotiated with counterparties. Pursuant to these agreements, both parties are required to deposit eligible collateral in collateral accounts for either the benefit of the company or the counterparty depending on the current fair value or change in the fair value of the derivative contract.

The company may not be able to realize its investment objectives with respect to derivative instruments, which could have an adverse effect upon its financial position, profitability or cash flows. The company's use of derivative instruments is discussed in note 7 (Derivatives) and its management of credit risk, liquidity risk, market risk, interest rate risk and counterparty risk is discussed in note 24 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2022.

Economic Hedging Strategies

The company may use derivative instruments from time to time to manage or reduce its exposure to credit risk and various market risks, including interest rate risk, equity market risk, inflation/deflation risk and foreign currency risk. The company may choose to hedge risks associated with a specific financial instrument, asset or liability or at a macro level to hedge systemic financial risk and the impact of potential future economic crisis and credit related problems on its operations and the value of its financial assets. Credit default swaps, total return swaps and consumer price index-linked derivative instruments have been used in the past to hedge macro level risks. The company's use of derivative instruments is discussed in note 7 (Derivatives) to the consolidated financial statements for the year ended December 31, 2022.

The company's derivative instruments may expose it to basis risk. Basis risk is the risk that the fair value or cash flows of derivative instruments applied as economic hedges will not experience changes in exactly the opposite directions from those of the underlying hedged exposure. This imperfect correlation may adversely impact the net effectiveness of the hedge and may diminish the financial viability of maintaining the hedging strategy and therefore adversely impact the company's financial condition, profitability or cash flows.

The company regularly monitors the prospective and retrospective effectiveness of its economic hedging instruments and will adjust the amount and/or type of hedging instruments as required to achieve its risk management goals. The management of credit risk and various market risks is discussed in note 24 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2022.

Capital

Ratings

Financial strength and credit ratings by the major North American rating agencies are important factors in establishing competitive position for insurance and reinsurance companies. 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 the company's insurance and reinsurance subsidiaries 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 insurance or reinsurance companies represent independent opinions of financial strength and ability to meet policyholder obligations. A downgrade in these ratings could lead to a significant reduction in the number of insurance policies the company's insurance subsidiaries write and could cause early termination of contracts written by the company's reinsurance subsidiaries or a requirement for them to post collateral at the direction of their counterparties. A downgrade of the company's long term debt ratings by the major rating agencies could require the company and/or its subsidiaries to accelerate their cash settlement obligations for certain derivative transactions to which they are a party, and could result in the termination of certain other derivative transactions. In addition, a downgrade of the company's credit rating may affect the cost and availability of unsecured financing. Ratings are subject to periodic review at the discretion of each respective rating agency and may be revised downward or revoked at their sole discretion. Rating agencies may also increase their scrutiny of rated companies, revise their rating standards or take other action. The company has dedicated personnel that manage the company's relationships with its various rating agencies, however there can be no assurance that these activities will avoid a downgrade by rating agencies in the future.

Holding Company Liquidity

Fairfax is a holding company that conducts substantially all of its business through its subsidiaries and receives substantially all of its earnings from them. The holding company controls the operating insurance and reinsurance companies, each of which must comply with applicable insurance regulations of the jurisdictions in which it operates. Each insurance and reinsurance operating company must maintain reserves for losses and loss adjustment expenses to cover the risks it has underwritten.

Although substantially all of the company's operations are conducted through its subsidiaries, none of its subsidiaries are obligated to make funds available to the holding company for the payment of principal and interest on its outstanding debt. Accordingly, the holding company's ability to meet financial obligations, including the ability to make payments on outstanding debt, is dependent on the distribution of earnings from its subsidiaries. The ability of subsidiaries to pay dividends or distributions in the future will depend on their statutory surplus, on earnings and on regulatory restrictions. The company's subsidiaries may incur additional indebtedness that may severely restrict or prohibit the payment of dividends or distributions to the company. Dividends, distributions or returns of capital to the holding company are subject to restrictions set forth in the insurance laws and regulations of the countries where the company operates (principally the U.S., Canada, the United Kingdom and Bermuda) (in

each case, including the provinces, states or other jurisdictions therein) and is affected by the subsidiaries' credit agreements and indentures, rating agencies, the discretion of insurance regulatory authorities and capital support agreements with subsidiaries. Although the holding company strives to be soundly financed and maintains high levels of liquid assets as discussed in note 24 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2022 and in the Liquidity section of this MD&A, an inability of subsidiaries to pay dividends could have a negative impact on the holding company's liquidity and ability to meet its obligations.

Access to Capital

The company's future capital requirements depend on many factors, including its ability to successfully write new business and to establish premium rates and reserves at levels sufficient to cover losses. To the extent that the funds generated by the company's business are insufficient to fund future operations, additional funds may need to be raised through equity or debt financings. If the company requires additional capital or liquidity but cannot obtain it on reasonable terms or at all, its business, financial condition and profitability would be materially adversely affected.

The company's ability and/or the ability of its subsidiaries to obtain additional financing for working capital, capital expenditures or acquisitions in the future may also be limited under the terms of the unsecured revolving credit facility discussed in note 15 (Borrowings) to the consolidated financial statements for the year ended December 31, 2022. The revolving credit facility contains various covenants that may restrict, among other things, the company's ability or the ability of its subsidiaries to incur additional indebtedness, to create liens or other encumbrances and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the revolving credit facility contains certain financial covenants that require the company to maintain a ratio of consolidated debt to consolidated capitalization not exceeding 0.35:1 and consolidated shareholders' equity of not less than $9.5 billion, both calculated as defined in such financial covenants. A failure to comply with the obligations and covenants under the revolving credit facility could result in an event of default under such agreement which, if not cured or waived, could permit acceleration of indebtedness, including other indebtedness of the holding company or its subsidiaries. The company strives to maintain sufficient levels of liquid assets at the holding company to mitigate risk to the holding company should this occur, but if such indebtedness were to be accelerated, there can be no assurance that the company's assets would be sufficient to repay that indebtedness in full. The company's management of liquidity risk is discussed further in note 24 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2022 and in the Liquidity section of this MD&A.

Technology

Technology Infrastructure

The company's business is highly dependent upon the successful and uninterrupted functioning of its computer and data processing systems which are relied upon to perform actuarial and other modeling functions necessary for writing business, to process and make claim payments and to process and summarize investment transactions. Third parties provide certain of the key components of the company's business infrastructure such as voice and data communications and network access. Given the high volume of transactions processed daily, the company is reliant on such third party provided services to successfully deliver its products and services. The company has highly trained information technology staff that is committed to the continual development and maintenance of its technology infrastructure. Security measures, including data security programs to protect confidential personal information, have been implemented and are regularly upgraded. The company, together with its third party service providers, also maintains and regularly tests contingency plans for its technology infrastructure. Notwithstanding these measures, the failure of the company's systems could interrupt the company's operations or impact its ability to rapidly evaluate and commit to new business opportunities. If sustained or repeated, a system failure could result in the loss of existing or potential business relationships, or compromise the company's ability to pay claims in a timely manner.

In addition, a security breach of the company's computer systems could damage the company's reputation or result in liability. The company retains confidential information regarding its business dealings in its computer systems, including, in some cases, confidential personal information regarding insureds. Significant capital and other resources may be required to protect against security breaches or to alleviate problems caused by such breaches. Any well publicized compromise of security could deter people from conducting transactions that involve transmitting confidential information to the company's systems. Therefore, it is critical that these facilities and infrastructure remain secure and are perceived by the marketplace to be secure. This infrastructure may be vulnerable to physical break-ins, computer viruses, programming errors, attacks by third parties or similar disruptive problems. In addition, the company could be subject to liability if hackers were able to penetrate its network security or otherwise misappropriate confidential information.

Systemic Cyber-Attacks

The company relies on information technology in virtually all aspects of its business. A significant disruption or failure of the company's information technology systems could result in service interruptions, safety failures, security violations, regulatory compliance failures, and inability to protect information and assets against intruders, and other operational difficulties. Attacks perpetrated against those information systems could result in loss of assets and critical information, potential breach of privacy laws, expose the company to remediation costs, reputational damage, regulatory scrutiny, litigation and adversely affect the company's results of operations, financial condition and liquidity.

Cyber-attacks could further adversely affect the company's ability to operate facilities, information technology and business systems, or compromise confidential customer and employee information. Cyber-attacks resulting in political, economic, social or financial market instability or damage to or interference with the company's assets, or its customers or suppliers may result in business interruptions, lost revenue, higher commodity prices, disruption in fuel supplies, lower energy consumption, unstable markets, increased security and repair or other costs, any of which may affect the company's consolidated financial results. Furthermore, instability in the financial markets as a result of terrorism, sustained or significant cyber-attacks, or war could also adversely affect the company's ability to raise capital.

The company has taken steps intended to mitigate these risks, including implementation of cyber security and cyber resilience measures, business continuity planning, disaster recovery planning and business impact analysis, and regularly updates these plans and security measures, however, there can be no assurance that such steps will be adequate to protect the company from the impacts of a cyber-attack.

Technological Changes

Technological changes could have unpredictable effects on the insurance and reinsurance industries. It is expected that new services and technologies will continue to emerge that will affect the demand for insurance and reinsurance products and services, the premiums payable, the profitability of such products and services and the risks associated with underwriting certain lines of business, including new lines of business. While the company does maintain an innovation working group comprised of members with diverse backgrounds from across its global operating companies to regularly assess new services and technologies that may be applicable or disruptive to the insurance and reinsurance industries, failure to understand evolving technologies, or to position the company in the appropriate direction, or to deploy new products and services in a timely way that considers customer demand and competitor activities could have an adverse impact on the company's business, financial condition, profitability or cash flows.

Other

Acquisitions, Divestitures and Strategic Initiatives

The company may periodically and opportunistically acquire other insurance and reinsurance companies or execute other strategic initiatives developed by management. Although the company undertakes due diligence prior to the completion of an acquisition, it is possible that unanticipated factors could arise and there is no assurance that the anticipated financial or strategic objectives following an integration effort or the implementation of a strategic initiative will be achieved, which could adversely affect the company's financial condition, profitability or cash flows. The company may periodically explore opportunities to make strategic investments in all or part of certain businesses or companies. Acquisitions may involve a number of special risks, including failure to retain key personnel, unanticipated events or circumstances and legal liabilities, some or all of which could have a material adverse effect on the company's business, results of operations and financial position. The company cannot be certain that any acquired businesses will achieve the anticipated revenues, income and synergies. Failure on the company's part to manage its acquisition strategy successfully could have a material adverse effect on its business, results of operations and financial position. The company cannot be certain that it will be able to identify appropriate targets, profitably manage additional businesses or successfully integrate any acquired business into its operations.

The strategies and performance of the company's subsidiaries, and the alignment of those strategies throughout the organization, are regularly assessed through various processes undertaken by senior management and the company's Board of Directors, however there can be no assurance that these efforts will be successful to mitigate the risks identified above. The company's recent acquisitions and divestitures are discussed in note 23 (Acquisitions and Divestitures) to the consolidated financial statements for the year ended December 31, 2022.

Key Employees

The company is substantially dependent on a small number of key employees, including its Chairman, Chief Executive Officer and significant shareholder, Mr. Prem Watsa, and the senior management of the company and its operating subsidiaries. The industry experience and reputation of these individuals are important factors in the company's ability to attract new business and investment opportunities. The company's success has been, and will continue to be, dependent on its ability to retain the services of 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 the company. At the operating subsidiaries, employment agreements have been entered into with key employees. The company does not maintain key employee insurance with respect to any of its employees.

Regulatory, Political and other Influences

The company is subject to government regulation in each of the jurisdictions in which its operating insurance and reinsurance subsidiaries are licensed or authorized to conduct business. Governmental bodies have broad administrative power to regulate many aspects of the insurance business, which may include accounting methods, governance, premium rates, market practices, policy forms and capital adequacy. The laws and rules behind this regulation are concerned primarily with the protection of policyholders rather than investors. Governmental bodies may impose fines, additional capital requirements or limitations on the company's insurance and reinsurance operations, and/or impose criminal sanctions for violation of regulatory requirements. The laws and regulations that are applicable to the company's insurance and reinsurance operations are complex and may increase the costs of regulatory compliance or subject the company's business to the possibility of regulatory actions or proceedings.

In recent years, the insurance industry has been subject to increased scrutiny by legislatures and regulators alike. New laws and rules and new interpretations of existing laws and rules could adversely affect the company's financial results by limiting its operating insurance subsidiaries' ability to make investments consistent with the company's total return strategy or requiring the company to maintain capital in specific operating subsidiaries in excess of the amounts the company considers to be appropriate, or causing the company to make unplanned modifications of products or services, or imposing restrictions on its ability to enter or exit lines of insurance business or to utilize new methods of assessing and pricing risks or selling products and services. The company cannot predict the future impact of changing law or regulation on its operations; any changes could have a material adverse effect on it or the insurance industry in general.

The company's management of the risks associated with its capital within the various regulatory regimes in which it operates is discussed in note 24 (Financial Risk Management, under the heading of "Capital Management") to the consolidated financial statements for the year ended December 31, 2022 and in the "Capital Resources and Management" section of this MD&A.

Economic Sanctions and Foreign Corrupt Practices

The company must comply with all applicable economic sanctions and anti-bribery laws and regulations, including those of Canada, the U.S., the United Kingdom, the European Union and other foreign jurisdictions where it operates. U.S. laws and regulations applicable to the company include the economic trade sanctions laws and regulations administered by the U.S. Department of the Treasury's Office of Foreign Assets Control, as well as certain laws administered by the U.S. Department of State. In addition, the company's business is subject to the Canadian Corruption of Foreign Public Officials Act, U.S. Foreign Corrupt Practices Act and other anti-bribery laws such as the U.K. Bribery Act that generally bar corrupt payments or unreasonable gifts to foreign governments or officials. The company believes that its commitment to honesty and integrity, set out in its Guiding Principles and regularly communicated, and that the large number of its executives and employees who have served the company for a long time, significantly enhance the likelihood that it will comply with those laws and regulations. More specifically, the company has policies and controls in place that are designed to ensure compliance with these laws and regulations, including policies distributed annually to employees, controls and oversight at individual operating companies and company wide, and whistleblower programs that are monitored by senior management and the Board of Directors. Despite these policies and controls, it is possible that an employee or intermediary could fail to comply with applicable laws and regulations, which could expose the company to civil penalties, criminal penalties and other sanctions, including fines or other punitive actions. In addition, such violations could damage the company's business and/or reputation and therefore have a material adverse effect on the company's financial condition and results of operations.

Information Requests or Proceedings by Government Authorities

From time to time, the insurance industry has been subject to investigations, litigation and regulatory activity by various insurance, governmental and enforcement authorities, concerning certain practices within the industry.

The company sometimes receives inquiries and informational requests from insurance regulators or other government officials in the jurisdictions in which its insurance and reinsurance subsidiaries operate. The company's internal and external legal counsels coordinate with operating companies in responding to information requests and government proceedings. From time to time, consumer advocacy groups or the media also focus attention on certain insurance industry practices. The company cannot predict at this time the effect that investigations, litigation and regulatory activity or negative publicity from consumers or the media will have on the insurance or reinsurance industry or its business, or whether activities or practices currently thought to be lawful will be characterized in the future as unlawful or will become subject to negative scrutiny from consumer advocacy groups or the media. The company's involvement in any investigations and related lawsuits would cause it to incur legal costs and, if the company were found to have violated any laws, could be required to pay fines and damages, perhaps in material amounts. In addition, the company could be materially adversely affected by the negative publicity for the insurance industry related to any such proceedings, and by any new industry-wide regulations or practices that may result from such proceedings or publicity. It is possible that future investigations or related regulatory developments will mandate changes in industry practices in a fashion that increases the company's costs of doing business or requires the company to alter aspects of the manner in which it conducts its business.

Regional or Geographical Limitations and Risks

The company's international operations are regulated in various jurisdictions with respect to licensing requirements, currency, amount and type of security deposits, amount and type of reserves, amount and type of local investment and other matters. The company regularly monitors for political and other changes in each country where it operates. The decentralized nature of the company's operations generally permits quick adaptation to, or mitigation of, evolving regional risks. Furthermore, the company's international operations are widespread and therefore not dependent on the economic stability of any one particular region. International operations and assets held abroad may, however, be adversely affected by political and other developments in foreign countries, including possibilities of tax changes, nationalization and changes in regulatory policy, as well as by consequences of terrorism, war, hostilities and unrest. The risks of such occurrences and their overall effect upon the company vary from country to country and cannot easily be predicted.

Lawsuits and Regulatory Proceedings

The company may, from time to time, become party to a variety of legal claims and regulatory proceedings including, but not limited to: disputes over coverage or claims adjudication; disputes regarding sales practices, disclosures, premium refunds, licensing, regulatory compliance and compensation arrangements; disputes with its agents, brokers or network providers over compensation and termination of contracts and related claims; regulatory actions relating to consumer pressure in relation to benefits realized by insurers; disputes with taxing authorities regarding its tax liabilities and tax assets; regulatory proceedings and litigation related to acquisitions or divestitures made or proposed by the company or its subsidiaries or in connection with subsidiaries in which the company holds an investment; and disputes relating to certain businesses acquired or disposed of by the company. Operating companies manage day-to-day regulatory and legal risk primarily by implementing appropriate policies, procedures and controls. Internal and external legal counsels also work closely with the operating companies to identify and mitigate areas of potential regulatory and legal risk. The existence of such claims against the company or its subsidiaries, affiliates, directors or officers could, however, have various adverse effects, including negative publicity and the incurrence of significant legal expenses defending claims, even those without merit.

The company's legal and regulatory matters are discussed in note 20 (Contingencies and Commitments) to the consolidated financial statements for the year ended December 31, 2022.

Significant Shareholder

The company's Chairman and Chief Executive Officer, Mr. Prem Watsa, owns, directly or indirectly, or exercises control or direction over shares representing approximately 43.9% of the voting power of the company's outstanding shares. Mr. Watsa has the ability to substantially influence certain actions requiring shareholder approval, including approving a business combination or consolidation, liquidation or sale of assets, electing members of the Board of Directors and adopting amendments to articles of incorporation and by-laws.

Amendments were made to the terms of the company's multiple voting shares, which are controlled by Mr. Watsa, in August of 2015 having the effect of preserving the voting power represented by the multiple voting shares at 41.8% even if additional subordinate voting shares are issued in the future. The amendments are described in note 16 (Total Equity) to the consolidated financial statements for the year ended December 31, 2015 and in the company's annual information form filed with the securities regulatory authorities in Canada, which are available on SEDAR at *www.sedar.com*.

Foreign Exchange

The company's reporting currency is the U.S. dollar. A portion of the company's premiums and expenses are denominated in foreign currencies and a portion of assets (including investments) and loss reserves are also denominated in foreign currencies. The company may, from time to time, experience losses resulting from fluctuations in the values of foreign currencies (including when certain foreign currency assets and liabilities of the company are hedged) which could adversely affect the company's financial condition, profitability or cash flows. The company's management of foreign currency risk is discussed in note 24 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2022.

IFRS 17 Insurance Contracts

IFRS 17 becomes effective for insurance companies during their annual reporting period beginning on or after January 1, 2023. The standard must be applied retrospectively with restatement of comparatives unless impracticable. IFRS 17 will replace IFRS 4 *Insurance Contracts* and will bring considerable changes to the recognition, measurement, presentation and disclosure of insurance contracts within the company's consolidated financial statements. IFRS 17 has certain risks associated with its adoption, including, but not limited to:

- operational risks – IFRS 17 requires a more extensive set of financial data, introduces complex assessment techniques, computational requirements and disclosures, which require a major transformation to various actuarial and financial reporting processes, tools, and systems. The complexity and additional workload imposed by IFRS 17 may create additional challenges in retaining key personnel, and the company's ability to identify, hire and retain other highly qualified personnel in the future could adversely affect the quality of financial data and required complex disclosures;
- financial reporting and business risks – IFRS 17 may cause additional changes and volatility in the company's reported consolidated financial results, with potential volatility in the company's consolidated statement of earnings and financial position, which may require the creation or modification of non-GAAP measures to explain the company's results in the MD&A; and
- income tax risks – in certain jurisdictions, including Canada, the implementation of IFRS 17 may impact income tax positions and other financial metrics that are dependent upon IFRS accounting values.

Goodwill, Indefinite-lived Intangible Assets and Investments in Associates

The goodwill, indefinite-lived intangible assets and investments in associates on the company's consolidated balance sheet originated from various acquisitions and investments made by the company or its operating subsidiaries. Continued profitability and achievement of financial plans by acquired businesses and associates is a key consideration for there to be no impairment in the carrying value of goodwill, indefinite-lived intangible assets and investments in associates. An intangible asset may be impaired if the economic benefit to be derived from its use is unexpectedly diminished. An investment in associate is considered to be impaired if its carrying value exceeds its recoverable amount (the higher of the associate's fair value and value-in-use).

Management regularly reviews the current and expected profitability of operating companies and associates and their success in achieving financial plans when assessing the carrying value of goodwill, indefinite-lived intangible assets and investments in associates. The carrying values of goodwill and indefinite-lived intangible assets are tested for impairment at least annually or more often if events or circumstances indicate there may be impairment. Investments in associates with carrying values that exceed their fair values are tested for impairment using value-in-use discounted cash flow models at each reporting date. The company's goodwill and indefinite-lived intangible assets, and their annual impairment tests, are described in note 12 (Goodwill and Intangible Assets), and the company's investments in associates are described in note 6 (Investments in Associates), to the consolidated financial statements for the year ended December 31, 2022.

Taxation

Realization of deferred income tax assets is dependent upon the generation of taxable income in those jurisdictions where the relevant tax losses and temporary differences exist. Failure to achieve projected levels of profitability could lead to a reduction in the company's deferred income tax asset if it is no longer probable that the amount of the asset will be realized.

The company is subject to income taxes in Canada, the U.S. and many foreign jurisdictions where it operates, and the company's determination of its tax liability is subject to review by applicable domestic and foreign tax authorities. The company has specialist tax personnel responsible for assessing the income tax consequences of planned transactions and events and undertaking the appropriate tax planning. The company also consults with

external tax professionals as needed. Tax legislation of each jurisdiction in which the company operates is interpreted to determine the provision for income taxes and expected timing of the reversal of deferred income tax assets and liabilities. While the company believes its tax positions to be reasonable, where the company's interpretations differ from those of tax authorities or the timing of realization is not as expected, the provision for income taxes may increase or decrease in future periods to reflect actual experience.

There is a risk that Canadian or foreign tax laws, or the interpretation thereof, could change in a manner that adversely affects the company. Canada, together with approximately 140 other countries comprising the Organisation for Economic Co-operation and Development ("OECD") and the G20 Inclusive Framework on Base Erosion and Profit Shifting ("BEPS"), approved in principle in 2021 certain base erosion tax initiatives including the introduction of a 15% global minimum tax which was initially intended to be effective in 2023. Canada has not yet released any domestic legislation in respect of the introduction of a global minimum tax. The exact implementation date of the proposed global minimum tax in Canada is not yet known. In November 2022, the Department of Finance Canada released for public comment draft legislative proposals (revising prior draft legislative proposals released for comment in February 2022) which, if enacted, may limit the deductibility of interest and financing expenses for Canadian tax purposes. The draft legislative proposals are generally intended to apply in respect of taxation years beginning on or after October 1, 2023. Comments on the draft legislative proposals were invited until January 6, 2023. The company will continue to monitor the BEPS and interest deductibility limitation proposals, which may result in an increase in future taxes and an adverse effect on the company.

The company's deferred income tax assets are described in note 18 (Income Taxes) to the consolidated financial statements for the year ended December 31, 2022.

COVID-19 pandemic and the conflict in Ukraine

COVID-19 continues to create uncertainty in the global economy, despite many countries emerging from government mandated lockdowns and vaccines becoming more widely available. While the economic impact of the COVID-19 pandemic has eased in many regions, supply chain disruptions and volatility in commodity prices persist, contributing to increased inflationary pressures, worsened by supply shocks arising from the conflict in Ukraine and other geopolitical events worldwide. In response, central banks around the world have aggressively raised interest rates in an effort to ease rising inflation. The company's businesses rely, to a certain extent, on free movement of goods, services and capital from around the world, and as a result, are facing upward cost pressures. Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, the conflict in Ukraine and other geopolitical events worldwide, it is difficult to predict how significant these continuing events will be on the global economy and the company's businesses, investments and employees, or for how long any further disruptions in the future are likely to continue.

Other

Quarterly Data (unaudited)

Years ended December 31

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2022					
Income	5,982.6	5,502.3	6,844.6	9,720.5	28,050.0
Net earnings (loss)	178.6	(915.4)	(79.3)	2,102.9	1,286.8
Net earnings (loss) attributable to shareholders of Fairfax	125.5	(881.4)	(75.1)	1,978.2	1,147.2
Net earnings (loss) per share	$ 4.79	$ (37.59)	$ (3.65)	$ 84.09	$ 46.62
Net earnings (loss) per diluted share	$ 4.49	$ (37.59)	$ (3.65)	$ 78.33	$ 43.49
2021					
Income	5,998.2	6,831.0	6,710.4	6,928.3	26,467.9
Net earnings	822.6	1,280.2	576.1	987.7	3,666.6
Net earnings attributable to shareholders of Fairfax	806.0	1,201.4	462.4	931.3	3,401.1
Net earnings per share	$ 30.44	$ 45.79	$ 17.43	$ 35.66	$ 129.33
Net earnings per diluted share	$ 28.91	$ 43.25	$ 16.44	$ 33.64	$ 122.25

Income of $5,982.6 in the first quarter of 2022 was steady compared to $5,998.2 in the first quarter of 2021, principally reflecting continued strong increases in net premiums earned from the property and casualty insurance and reinsurance operations of $1,002.2 and the benefit of higher share of profit of associates, partially offset by net losses on investments that reflected the short-term impact of rising interest rates on the company's bond portfolio. Net earnings attributable to shareholders of Fairfax decreased to $125.5 (net earnings of $4.79 and $4.49 per basic and diluted share respectively) in the first quarter of 2022 from $806.0 (net earnings of $30.44 and $28.91 per basic and diluted share respectively) in the first quarter of 2021, primarily reflected net losses on investments (compared to net gains on investments in the first quarter of 2021), partially offset by increased operating income at the property and casualty insurance and reinsurance operations (reflecting increases in underwriting profit, share of profit of associates and interest and dividends).

Income of $5,502.3 in the second quarter of 2022 decreased from $6,831.0 in the second quarter of 2021, principally reflecting net losses on investments that related to the short-term impact of rising interest rates on the company's bond portfolio and the impact on the equity portfolio from the global financial market volatility experienced during the quarter compared to net gains on investments in the second quarter of 2021, partially offset by increased net premiums earned primarily in the North American Insurers and Global Insurers and Reinsurers reporting segments, increased Other revenue and higher share of profit of associates and interest and dividends. Net loss attributable to shareholders of Fairfax of $881.4 (net loss of $37.59 per basic and diluted share) in the second quarter of 2022 compared to net earnings attributable to shareholders of Fairfax of $1,201.4 (net earnings of $45.79 and $43.25 per basic and diluted share respectively) in the second quarter of 2021, principally reflected net unrealized losses on investments in the second quarter of 2022 compared to net unrealized gains on investment in the second quarter of 2021, partially offset by increased operating income at the property and casualty insurance and reinsurance operations (reflecting increases in underwriting profit, share of profit of associates and interest and dividends) and a recovery of income taxes in the second quarter of 2022 compared to a provision for income taxes in the second quarter of 2021.

Income of $6,844.6 in the third quarter of 2022 increased from $6,710.4 in the third quarter of 2021, principally as a result of increased net premiums earned, primarily in the Global Insurers and Reinsurers and North American Insurers reporting segments, increased share of profit of associates and interest and dividends, partially offset by net losses on investments that related to the short-term impact of rising interest rates on the company's bond portfolio and the impact on the equity portfolio from the global financial market volatility experienced during the quarter compared to net gains on investments in the third quarter of 2021. Net loss attributable to shareholders of Fairfax of $75.1 (net loss of $3.65 per basic and diluted share) in the third quarter of 2022 compared to net earnings attributable to shareholders of Fairfax of $462.4 (net earnings of $17.43 and $16.44 per basic and diluted share respectively) in the third quarter of 2021, principally reflected net unrealized losses on investments in the third quarter of 2022 compared to net unrealized gains on investment in the third quarter of 2021, partially offset by increased operating income at the property and casualty insurance and reinsurance operations (reflecting a lower underwriting loss and increases in share of profit of associates and interest and dividends) and lower provision for income taxes.

Income of $9,720.5 in the fourth quarter of 2022 increased from $6,928.3 in the fourth quarter of 2021, principally as a result of increased net premiums earned, primarily in the Global Insurers and Reinsurers and North American Insurers reporting segments, increased share of profit of associates and interest and dividends and the gain on sale of Crum & Forster's Pet Insurance Group and Pethealth, partially offset by lower net gains on investments. Net earnings attributable to shareholders of Fairfax increased to $1,978.2 (net earnings of $84.09 and $78.33 per basic and diluted share respectively) in the fourth quarter of 2022 from $931.3 (net earnings of $35.66 and $33.64 per basic and diluted share respectively) in the fourth quarter of 2021, principally reflecting increased operating income at the property and casualty insurance and reinsurance operations (primarily increases in underwriting profit, share of profit of associates and interest and dividends) and the gain on sale of Crum & Forster's Pet Insurance Group and Pethealth, partially offset by lower net gains on investments and higher provision for income taxes.

Operating results at the company's insurance and reinsurance companies have been, and may continue to be, affected by the economic impacts of the continued conflict in Ukraine and the ongoing COVID-19 pandemic, including increased inflationary pressures and rising interest rates. Individual quarterly results have been (and may in the future be) affected by losses from significant natural or other catastrophes, by favourable or adverse reserve development and by settlements or commutations, the occurrence of which are not predictable, and have been (and are expected to continue to be) significantly affected by net gains or losses on investments, the timing of which are not predictable.

Stock Prices and Share Information

At March 9, 2023, Fairfax had 22,479,323 subordinate voting shares and 1,548,000 multiple voting shares outstanding (an aggregate of 23,228,093 shares effectively outstanding after an intercompany holding). Each subordinate voting share carries one vote per share at all meetings of shareholders except for separate meetings of holders of another class of shares. The multiple voting shares cumulatively carry 41.8% voting power at all meetings of shareholders except in certain circumstances (which have not occurred) and except for separate meetings of holders of another class of shares. The multiple voting shares are not publicly traded.

The table that follows presents the Toronto Stock Exchange high, low and closing Canadian dollar prices of subordinate voting shares of Fairfax for each quarter of 2022 and 2021.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
		(Cdn$)		
2022				
High	700.00	716.59	707.91	815.01
Low	569.62	623.54	612.00	612.00
Close	682.03	682.10	630.89	802.07
2021				
High	560.59	581.00	579.57	636.08
Low	427.49	538.41	507.75	493.00
Close	548.55	543.60	511.31	622.24

Compliance with Corporate Governance Rules

Fairfax is a Canadian reporting issuer with securities listed on the Toronto Stock Exchange and trading in Canadian dollars under the symbol FFH and in U.S. dollars under the symbol FFH.U. It has in place corporate governance practices that comply with all applicable rules and substantially comply with all applicable guidelines and policies of the Canadian Securities Administrators and the practices set out therein.

The company's Board of Directors has adopted a set of Corporate Governance Guidelines (which include a written mandate of the Board), established an Audit Committee, a Governance and Nominating Committee and a Compensation Committee, approved written charters for all of its committees, approved a Code of Business Conduct and Ethics and an Anti-Corruption Policy, which are applicable to all directors, officers and employees of the company. The Board of Directors also established, in conjunction with the Audit Committee, a Whistleblower Policy. The company continues to monitor developments in the area of corporate governance as well as its own procedures.

Forward-Looking Statements

Certain statements contained herein may constitute forward-looking statements and are made pursuant to the "safe harbour" provisions of the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities regulations. 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 earnings if our loss reserves 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; unfavourable changes in market variables, including interest rates, foreign exchange rates, equity prices and credit spreads, which could negatively affect our investment portfolio; 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; insufficient reserves for asbestos, environmental and other latent claims; 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; our inability to maintain our long term debt ratings, the inability of our subsidiaries to maintain financial or claims paying ability ratings and the impact of a downgrade of such ratings on derivative transactions that we or our subsidiaries have entered into; 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; risks associated with any use we may make of derivative instruments; the failure of any hedging methods we may employ to achieve their desired risk management objective; a decrease in the level of demand for insurance or reinsurance products, or increased competition in the insurance industry; the impact of emerging claim and coverage issues or the failure of any of the loss limitation methods we employ; our inability to access cash of our subsidiaries; our inability to obtain required levels of capital on favourable terms, if at all; the loss of key employees; our inability to obtain reinsurance coverage in sufficient amounts, at reasonable prices or on terms that adequately protect us; the passage of legislation subjecting our businesses to additional adverse requirements, 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 and negative publicity 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 legal or regulatory proceedings or significant litigation; failures or security breaches of our computer and data processing systems; 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; risks associated with IFRS 17; impairment of the carrying value of our goodwill, indefinite-lived intangible assets or investments in associates; our failure to realize deferred income tax assets; technological or other change which adversely impacts demand, or the premiums payable, for the insurance coverages we offer; disruptions of our information technology systems; assessments and shared market mechanisms which may adversely affect our insurance subsidiaries; and risks associated with the global pandemic caused by COVID-19 and the conflict in Ukraine. Additional risks and uncertainties are described in this Annual Report, which is available at www.fairfax.ca, and in our Base Shelf Prospectus (under "Risk Factors") filed with the securities regulatory authorities in Canada, which is available on SEDAR at www.sedar.com. Fairfax disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities law.

Glossary of Non-GAAP and Other Financial Measures

Management analyzes and assesses the underlying insurance and reinsurance companies, and the financial position of the consolidated company, in various ways. Certain of those measures and ratios, which have been used consistently and disclosed regularly in the company's Annual Reports and interim financial reporting, do not have a prescribed meaning under IFRS and may not be comparable to similar measures presented by other companies.

Supplementary Financial Measures

Gross premiums written and net premiums written – The company presents information on gross premiums written and net premiums written throughout its financial reporting. Gross premiums written represents the total premiums on policies issued by the company during a specified period, irrespective of the portion ceded or earned, and is an indicator of the volume of new business generated. Net premiums written represents gross premiums written less amounts ceded to reinsurers and is considered a measure of the insurance risk that the company has chosen to retain from the new business it has generated. These measures are used in the insurance industry and by the company primarily to evaluate business volumes, including related trends, and the management of insurance risk.

Property and casualty insurance and reinsurance ratios – The **combined ratio** is the traditional performance measure of underwriting results of property and casualty companies and is calculated by the company as the sum of the **loss ratio** (claims losses and loss adjustment expenses expressed as a percentage of net premiums earned) and the **expense ratio** (commissions, premium acquisition costs and other underwriting expenses expressed as a percentage of net premiums earned). Other ratios used by the company include the **commission expense ratio** (commissions expressed as a percentage of net premiums earned), the **underwriting expense ratio** (premium acquisition costs and other underwriting expenses expressed as a percentage of net premiums earned), the **accident year loss ratio** (claims losses and loss adjustment expenses excluding the net favourable or adverse development of reserves established for claims that occurred in previous accident years, expressed as a percentage of net premiums earned), and the **accident year combined ratio** (the sum of the accident year loss ratio and the expense ratio). All of the ratios described above are calculated from information disclosed in note 25 (Segmented Information) to the consolidated financial statements for the year ended December 31, 2022 and are used by the company for comparisons to historical underwriting results, to the underwriting results of competitors and to the broader property and casualty industry, as well as for evaluating the performance of individual operating companies. The company may also refer to **combined ratio points**, which expresses a loss that is a component of losses on claims, net, such as a catastrophe loss or net favourable or adverse prior year reserve development, as a percentage of net premiums earned during the same period. Both losses on claims, net, and net premiums earned, are amounts presented in the consolidated statement of earnings.

Float – In the insurance industry the funds available for investment that arise as an insurance or reinsurance operation receives premiums in advance of the payment of claims is referred to as float. The company calculates its float as the sum of its insurance contract liabilities (comprised of provision for losses and loss adjustment expenses, and provision for unearned premiums) and insurance contract payables, less the sum of its recoverable from reinsurers, insurance contract receivables and deferred premium acquisition costs, all as presented on the consolidated balance sheet. Float of a reporting segment or segments is calculated in the same manner using the company's segmented balance sheet. The **annual benefit (cost) of float** is calculated by expressing annual underwriting profit (loss) from note 25 (Segmented Information) to the consolidated financial statements for the year ended December 31, 2022 as a percentage of **average float** for the year (the simple average of float at the beginning and end of the year).

Book value per basic share – The company considers book value per basic share a key performance measure as one of the company's stated objectives is to build long term shareholder value by compounding book value per basic share over the long term by 15% annually. This measure is calculated by the company as common shareholders' equity divided by the number of common shares effectively outstanding. Those amounts are presented in the consolidated balance sheet and note 16 (Total Equity, under the heading "Common stock") respectively to the consolidated financial statements for the year ended December 31, 2022. **Increase or decrease in book value per basic share** is calculated as the percentage change in book value per basic share from the end of the last annual reporting period to the end of the current reporting period. **Increase or decrease in book value per basic share adjusted for the $10.00 per common share dividend** is calculated in the same manner except that it assumes the annual $10.00 per common share dividend paid in the first quarter of 2022 was not paid and book value per basic share at the end of the current reporting period would be higher as a result.

Equity exposures – Long equity exposures refer to the company's long positions in equity and equity-related instruments held for investment purposes, and **long equity exposures and financial effects** refers to the aggregate position and performance of the company's long equity exposures. Long equity exposures exclude the company's insurance and reinsurance investments in associates, joint ventures, and other equity and equity-related holdings which are considered long-term strategic holdings. These measures are presented and explained in note 24 (Financial Risk Management, under the heading "Market risk") to the consolidated financial statements for the year ended December 31, 2022.

Capital Management Measures

Net debt, **net total capital**, **total capital**, **net debt divided by total equity**, **net debt divided by net total capital** and **total debt divided by total capital** are measures and ratios used by the company to assess the amount of leverage employed in its operations. The company also uses an **interest coverage ratio** and an **interest and preferred share dividend distribution coverage ratio** to measure its ability to service its debt and pay dividends to its preferred shareholders. These measures and ratios are calculated using amounts presented in the company's consolidated financial statements for the year ended December 31, 2022, both including and excluding the relevant balances of consolidated non-insurance companies, and are presented and explained in note 24 (Financial Risk Management, under the heading "Capital Management") thereto.

Total of Segments Measures

Underwriting profit (loss) – This is a measure of underwriting activity in the insurance industry that is calculated by the company for its insurance and reinsurance operations as net premiums earned less **underwriting expenses**, which is comprised of losses on claims, net, commissions, net, and operating expenses (excluding corporate overhead), as presented in the consolidated statement of earnings. **Corporate overhead**, comprised of the non-underwriting operating expenses of the Fairfax holding company and the holding companies of the insurance and reinsurance operations, and the amortization of intangible assets that primarily arose on acquisition of the insurance and reinsurance subsidiaries, is a component of operating expenses as presented in the consolidated statement of earnings.

Operating income (loss) – This measure is used by the company as a pre-tax performance measure of operations that excludes net gains (losses) on investments, gain on sale and consolidation of insurance subsidiaries, interest expense and corporate overhead, and that includes interest and dividends and share of profit (loss) of associates, which the company considers to be more predictable sources of investment income. Operating income (loss) includes underwriting profit (loss) for the insurance and reinsurance operations and includes other revenue and other expenses for the non-insurance companies.

A reconciliation of underwriting profit (loss) and operating income (loss) to earnings before income taxes, the most directly comparable IFRS measure to both of those measures, is presented in the table below. All figures in the table are from the company's consolidated statement of earnings for the year ended December 31, 2022, except for underwriting expenses, underwriting profit and corporate overhead, which are described above.

	Year ended December 31,	
	2022	**2021**
Net premiums earned	21,006.1	16,558.0
Underwriting expenses:		
Losses on claims, net	13,851.9	10,740.5
Operating expenses	3,057.5	2,946.1
Commissions, net	3,454.9	2,787.9
Less: corporate overhead	(296.7)	(409.0)
	20,067.6	16,065.5
Underwriting profit	938.5	492.5
Non-insurance companies:		
Other revenue	5,581.6	5,158.0
Other expenses	(5,520.9)	(5,086.9)
Investments:		
Interest and dividends	961.8	640.8
Share of profit of associates	1,014.7	402.0
Operating income	2,975.7	1,606.4
Net gains (losses) on investments	(1,733.9)	3,445.1
Gain on sale and consolidation of insurance subsidiaries	1,219.7	264.0
Interest expense	(452.8)	(513.9)
Corporate overhead	(296.7)	(409.0)
Earnings before income taxes	1,712.0	4,392.6

Property and casualty insurance and reinsurance – References in this MD&A to the company's property and casualty insurance and reinsurance operations do not include the company's life insurance and run-off operations. The company believes this aggregation of reporting segments to be helpful in evaluating the performance of its core property and casualty insurance and reinsurance companies and has historically disclosed measures on this basis including net premiums written, net premiums earned, underwriting profit (loss) and operating income (loss), consistent with the information presented in note 25 (Segmented Information) to the consolidated financial statements for the year ended December 31, 2022. References to "**insurance and reinsurance**" operations includes property and casualty insurance and reinsurance, life insurance and run-off operations.

Non-GAAP Financial Measures

Excess (deficiency) of fair value over carrying value – These pre-tax amounts, while not included in the calculation of book value per basic share, are regularly reviewed by management as an indicator of investment performance for the company's non-insurance associates and market traded consolidated non-insurance subsidiaries that are considered to be portfolio investments, which are Fairfax India, Thomas Cook India, Dexterra Group, Boat Rocker and Farmers Edge, and also Recipe in 2021, prior to its privatization by the company on October 28, 2022.

	December 31, 2022			December 31, 2021		
	Fair value	**Carrying value**	**Excess of fair value over carrying value**	**Fair value**	**Carrying value**	**Excess (deficiency) of fair value over carrying value**
Non-insurance associates	5,684.3	5,418.0	266.3	4,541.9	4,117.0	424.9
Non-insurance companies	1,052.9	1,009.2	43.7	1,525.8	1,604.3	(78.5)
	6,737.2	6,427.2	310.0	6,067.7	5,721.3	346.4

Non-insurance associates included in the performance measure

The fair values and carrying values of non-insurance associates used in the determination of this performance measure are the IFRS fair values and carrying values included in the consolidated balance sheets as at December 31, 2022 and 2021, and excludes investments in associates held by the company's consolidated non-insurance companies as those amounts are already included in the carrying values of the consolidated non-insurance companies used in this performance measure.

	December 31, 2022		December 31, 2021	
	Fair value	**Carrying value**	**Fair value**	**Carrying value**
Investments in associates as presented on the consolidated balance sheets	6,772.9	6,091.3	5,671.9	4,755.1
Less:				
Insurance and reinsurance investments in associates[1]	1,069.0	647.3	1,099.1	607.4
Associates held by consolidated non-insurance companies[2]	19.6	26.0	30.9	30.7
Non-insurance associates included in the performance measure	5,684.3	5,418.0	4,541.9	4,117.0

(1) As presented in note 6 (Investments in Associates) to the consolidated financial statements for the year ended December 31, 2022.

(2) Principally comprised of associates held by Thomas Cook India (including its share of Quess), Dexterra Group and Boat Rocker. Also includes associates held by Recipe at December 31, 2021.

Non-insurance companies included in the performance measure

The fair values of market traded consolidated non-insurance companies are calculated as the company's pro rata ownership share of each subsidiary's market capitalization as determined by traded share prices at the financial statement date. The carrying value of each subsidiary represents Fairfax's share of that subsidiary's net assets, calculated as the subsidiary's total assets, less total liabilities and non-controlling interests. Carrying value is included in shareholders' equity attributable to shareholders of Fairfax in the company's consolidated balance sheets as at December 31, 2022 and 2021, as shown in the table below which reconciles the consolidated balance sheet of the market traded non-insurance companies to that of the Non-insurance companies reporting segment included in the company's consolidated balance sheet.

	December 31, 2022			December 31, 2021		
	Market traded non-insurance companies	**All other non-insurance companies[2]**	**Total non-insurance companies[1]**	**Market traded non-insurance companies**	**All other non-insurance companies[2]**	**Total non-insurance companies[1]**
Portfolio investments	2,099.4	19.9	2,119.3	2,418.5	(165.7)	2,252.8
Deferred income tax assets	37.5	17.0	54.5	41.1	25.8	66.9
Goodwill and intangible assets	759.9	1,524.5	2,284.4	2,069.5	271.7	2,341.2
Other assets[3]	1,279.2	2,874.0	4,153.2	1,895.9	1,299.6	3,195.5
Total assets	4,176.0	4,435.4	8,611.4	6,425.0	1,431.4	7,856.4
Accounts payable and accrued liabilities[3]	929.4	1,583.7	2,513.1	1,565.2	647.3	2,212.5
Derivative obligations	–	58.2	58.2	–	47.9	47.9
Deferred income tax liabilities	28.5	223.9	252.4	153.7	44.8	198.5
Borrowings – non-insurance companies	845.8	1,151.1	1,996.9	1,093.4	522.8	1,616.2
Total liabilities	1,803.7	3,016.9	4,820.6	2,812.3	1,262.8	4,075.1
Shareholders' equity attributable to shareholders of Fairfax[4]	**1,009.2**	1,091.2	2,100.4	**1,604.3**	178.2	1,782.5
Non-controlling interests	1,363.1	327.3	1,690.4	2,008.4	(9.6)	1,998.8
Total equity	2,372.3	1,418.5	3,790.8	3,612.7	168.6	3,781.3
Total liabilities and equity	4,176.0	4,435.4	8,611.4	6,425.0	1,431.4	7,856.4

(1) Non-insurance companies reporting segment as presented in the Segmented Balance Sheet in note 25 (Segmented Information) to the consolidated financial statements for the year ended December 31, 2022.

(2) Portfolio investments includes intercompany debt securities issued by a non-insurance company to Fairfax affiliates which are eliminated on consolidation.

(3) Other assets includes due from affiliates, and accounts payable and accrued liabilities includes due to affiliates.

(4) Bolded figures represent the carrying values of the market traded non-insurance subsidiaries.

Cash provided by (used in) operating activities (excluding operating cash flow activity related to investments recorded at FVTPL) is presented in this MD&A for the largest property and casualty insurance and reinsurance reporting segments as management believes this measure to be a useful estimate of cash generated or used by underwriting activities. This measure is a component of cash provided by (used in) operating activities as presented in the consolidated statement of cash flows, the most directly comparable IFRS measure.

	Year ended December 31,	
	2022	**2021**
Cash provided by (used in) operating activities (excluding operating cash flow activity related to investments recorded at FVTPL):		
North American Insurers and Global Insurers and Reinsurers	5,301.6	4,241.4
All other reporting segments	(81.3)	(214.8)
Net (purchases) sales of investments classified at FVTPL	(9,640.2)	2,614.4
Cash provided by (used in) operating activities as presented in the consolidated statement of cash flows	(4,419.9)	6,641.0

Intercompany shareholdings – On the segmented balance sheets intercompany shareholdings of insurance and reinsurance subsidiaries are presented as "**Investments in Fairfax insurance and reinsurance affiliates**", intercompany shareholdings of non-insurance subsidiaries are included in "Portfolio investments" and total intercompany shareholdings of subsidiaries are presented as "**Investments in Fairfax affiliates**" in the "Capital" section. Intercompany shareholdings of subsidiaries are carried at cost in the segmented balance sheets as management believes that provides a better comparison of operating performance over time, whereas those shareholdings are eliminated upon consolidation in the consolidated financial statements with no directly comparable IFRS measure.

Appendix to Chairman's Letter to Shareholders

The Chairman's Letter to Shareholders ("the Letter") presents the performance of the underlying insurance and reinsurance companies, and the financial position of the consolidated company, in various ways. Certain of those measures and ratios, which have been used consistently and disclosed regularly in the Letter, do not have a prescribed meaning under IFRS and may not be comparable to similar measures presented by other companies.

Fairfax Worldwide Insurance Operations as at December 31, 2022

This table in the Letter includes information on certain non-consolidated insurance companies which are presented as insurance and reinsurance investments in associates in note 6 (Investments in Associates) to the company's consolidated financial statements for the year ended December 31, 2022. As associates are recorded using the equity method of accounting under IFRS and not consolidated, the gross premiums written and investment portfolios of these associates are not included in the relevant amounts presented in the company's consolidated statement of earnings and consolidated balance sheet respectively.

Gross Premiums Written per Share

This supplementary financial measure is calculated as gross premiums written by the property and casualty insurance and reinsurance companies divided by the number of common shares effectively outstanding, as presented in note 25 (Segmented Information) and note 16 (Total Equity) respectively to the company's consolidated financial statements for the year ended December 31, 2022. Management uses this measure as an indicator of organic growth and accretive acquisitions in its property and casualty insurance and reinsurance operations, and to illustrate the benefit premiums have on book value per basic share.

EBITDA of Consolidated Non-Insurance Investments

EBITDA, or "Earnings Before Interest, Tax, Depreciation and Amortization" is a non-GAAP financial measure that the company uses, among other financial measures, to evaluate the performance of its non-insurance subsidiaries and their ability to generate cash flows for operating and capital expenditures. EBITDA is defined by the company as pre-tax income (loss) adjusted to exclude (i) interest expense and (ii) depreciation, amortization and impairment charges.

Non-insurance companies reporting segment	Year ended December 31, 2022
EBITDA	743.1
Less:	
Interest expense[1]	122.8
Depreciation, amortization and impairment charges[1]	450.4
	573.2
Pre-tax income (loss)[2]	169.9

(1) As presented in note 26 (Expenses) to the consolidated financial statements for the year ended December 31, 2022.

(2) As presented in note 25 (Segmented Information) to the consolidated financial statements for the year ended December 31, 2022.

Compound Growth in Book Value per Share

This supplementary financial measure is calculated as the compound return on book value per basic share for the beginning and ending years of the relevant measurement period. Book value per basic share is described in the MD&A of this annual report, under the heading "Glossary of Non-GAAP and Other Financial Measures".

Average Total Return on Investments

This supplementary financial measure is calculated as the simple average of total return on average investments for the relevant years in the measurement period. Total return on average investments is described in the MD&A of this annual report, under the heading "Total Return on the Investment Portfolio".

Unconsolidated Balance Sheet

The unconsolidated balance sheet in the Letter presents the IFRS carrying values of the company's subsidiaries prior to consolidation to better reflect the amount invested into the company's core property and casualty insurance and reinsurance operations. The company also presents per share amounts for each line item in the unconsolidated balance sheet to better illustrate the composition of book value per basic share. Per share amounts are calculated by dividing the dollar amount of each line item by the number of common shares effectively outstanding, which is presented in note 16 (Total Equity) to the consolidated financial statements for the year ended December 31, 2022. As IFRS requires that controlled subsidiaries be consolidated, the following table presents a reconciliation of the unconsolidated balance sheet to the company's consolidated balance sheet as at December 31, 2022. All figures are rounded to US$ billions, and may not add due to rounding.

	December 31, 2022			
	As presented in the unconsolidated balance sheet	Reclassifications	Consolidation of subsidiaries	As presented in the consolidated balance sheet
	(US$ billions)			
Assets				
Northbridge	1.8	–	(1.8)	–
Odyssey Group	4.0	–	(4.0)	–
Crum & Forster	2.0	–	(2.0)	–
Zenith National	1.0	–	(1.0)	–
Brit	1.7	–	(1.7)	–
Allied World	3.4	–	(3.4)	–
International Insurers and Reinsurers	3.7	–	(3.7)	–
Life insurance and Run-off	0.2	–	(0.2)	–
Insurance and reinsurance operations	17.8	–	(17.8)	–
Recipe	0.6	–	(0.6)	–
Fairfax India	0.5	–	(0.5)	–
Grivalia Hospitality	0.4	–	(0.4)	–
Thomas Cook India	0.2	–	(0.2)	–
Other Non-insurance	0.4	–	(0.4)	–
Non-insurance operations	2.1	–	(2.1)	–
Total consolidated operations	19.9	–	(19.9)	–
Holding company cash and investments	1.3	–	–	1.3
Insurance contract receivables	–	–	7.9	7.9
Investments in associates	1.0	(1.0)	–	–
Portfolio investments	–	1.0	53.3	54.3
Deferred premium acquisition costs	–	–	2.2	2.2
Recoverable from reinsurers	–	–	13.1	13.1
Deferred income tax assets	–	–	0.5	0.5
Goodwill and intangible assets	–	–	5.7	5.7
Other assets	–	0.6	6.5	7.1
Other holding company assets	0.6	(0.6)	–	–
Total assets	22.8	–	69.3	92.1
Liabilities				
Accounts payable and other liabilities	0.3	–	4.9	5.2
Derivative obligations	–	–	0.2	0.2
Deferred income tax liabilities	–	–	0.5	0.5
Insurance contract payables	–	–	5.1	5.1
Insurance contract liabilities	–	–	52.2	52.2
Borrowings – holding company and insurance and reinsurance companies	–	5.9	0.7	6.6
Borrowings – non-insurance companies	–	–	2.0	2.0
Borrowings – holding company	5.9	(5.9)	–	–
Total liabilities	6.2	–	65.6	71.8
Equity				
Common shareholders' equity	15.3	–	–	15.3
Preferred stock	1.3	–	–	1.3
Shareholders' equity attributable to shareholders of Fairfax	16.6	–	–	16.6
Non-controlling interests	–	–	3.7	3.7
Total Equity	16.6	–	3.7	20.3
Total Liabilities and Total Equity	22.8	–	69.3	92.1

Directors of the Company

Robert J. Gunn
Corporate Director

The Right Honourable David L. Johnston
Corporate Director

Karen L. Jurjevich
Principal, Branksome Hall

R. William McFarland
Corporate Director

Christine N. McLean
Corporate Director

Brian J. Porter *(as of April 2023)*
Corporate Director

Timothy R. Price
Chairman, Brookfield Funds, a division of Brookfield Asset Management Inc.

Brandon W. Sweitzer
Dean, School of Risk Management, St. John's University

Lauren C. Templeton
President, Templeton and Phillips Capital Management, LLC

Benjamin P. Watsa
Chief Executive Officer, Marval Capital Ltd.

V. Prem Watsa
Chairman and Chief Executive Officer of the Company

William C. Weldon
Corporate Director

Officers of the Company

Jennifer Allen
Vice President and Chief Financial Officer

Bryan Bailey
Vice President, Tax

Derek Bulas
Vice President and Chief Legal Officer

Peter Clarke
President and Chief Operating Officer

Jean Cloutier
Vice President and Chairman International

Vinodh Loganadhan
Vice President, Administrative Services

Bradley Martin
Vice President, Strategic Investments

Olivier Quesnel
Vice President and Chief Actuary

Thomas Rowe
Vice President, Corporate Affairs

Eric Salsberg
Vice President and Corporate Secretary

John Varnell
Vice President, Corporate Development

Michael Wallace
Vice President, Insurance Operations

V. Prem Watsa
Chairman and Chief Executive Officer

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP

General Counsel

Torys LLP

Operating Management

Fairfax Insurance Group
Andrew A. Barnard, President

Northbridge
Silvy Wright, President
Northbridge Financial Corporation

Odyssey Group
Brian D. Young, President
Odyssey Group Holdings, Inc.

Crum & Forster
Marc Adee, President
Crum & Forster Holdings Corp.

Zenith National
Kari Van Gundy, President
Zenith National Insurance Corp.

Brit
Martin Thompson, President
Brit Limited

Allied World
Lou Iglesias, President
Allied World Assurance Company Holdings, Ltd

Fairfax Asia
Ramaswamy Athappan, Chief Executive Officer

Gobinath Athappan, Chief Operating Officer and President, *Pacific Insurance*

Insurance and Reinsurance – Other

Bruno Camargo, President
Fairfax Brasil

Jacek Kugacz, President
Polish Re

Peter Csakvari, President
Colonnade Insurance

Edwyn O'Neill, President
Bryte Insurance

Fabricio Campos, President
Fairfax Latin America

Andrey Peretyazhko, President
ARX Insurance

Oleksiy Muzychko, President
Universalna Insurance

Eurolife
Alexander Sarrigeorgiou, President
Eurolife FFH Insurance Group

Run-off
Nicholas C. Bentley, President
RiverStone Group

Other
Bijan Khosrowshahi, President
Fairfax International

Wade Burton, President
Hamblin Watsa Investment Counsel

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