

Allied World Assurance Co Holdings, AG
Form DEFM14A
August 03, 2017

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG

(Exact name of Registrant as Specified In Its Charter)

Not Applicable

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
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(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

ý Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

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Fairfax Financial Holdings Limited

(4) Date Filed:

February 15, 2017

ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG
Park Tower, 15th floor, Gubelstrasse 24
6300 Zug, Switzerland

August 3, 2017

Dear Shareholder:

We are pleased to invite you to attend the extraordinary general meeting of shareholders of Allied World Assurance Company Holdings, AG (Allied World, the company, we, our or us), a Swiss corporation, which will be held at Allied World's corporate headquarters, Park Tower, 15th floor, Gubelstrasse 24, 6300 Zug, Switzerland, on August 16, 2017, at 2:00 p.m., local time (the Special Shareholder Meeting).

The Special Shareholder Meeting is being called to vote on the items described below, including an item in connection with the recently completed exchange offer (the Offer) in which Fairfax Financial Holdings (Switzerland) GmbH (FFH Switzerland), a wholly-owned subsidiary of Fairfax Financial Holdings Limited, a corporation existing under the laws of Canada (Fairfax), acquired substantially all of the outstanding common shares, par value CHF 4.10 per share, of Allied World (common shares), pursuant to the terms, and subject to the conditions, of that certain Agreement and Plan of Merger, dated as of December 18, 2016, between Fairfax and Allied World. You may be receiving these materials because you did not validly tender your shares in the Offer. As of the Record Date (defined below), Fairfax (Switzerland) GmbH (Fairfax (Switzerland)), a limited liability company incorporated under the laws of Switzerland and a direct, wholly-owned subsidiary of FFH Switzerland, owned 94.6% of the outstanding Allied World common shares representing sufficient votes to approve each of the items described below.

At the Special Shareholder Meeting, holders of our common shares will be asked to consider and vote on: (i) a proposal to approve and adopt the Swiss Merger Agreement (defined below) and the merger of Allied World with and into Fairfax (Switzerland) (defined below); (ii) a proposal to approve the 2017 compensation for executives as required under Swiss law and (iii) a proposal to approve the 2017 compensation for directors as required under Swiss law.

The Board of Directors unanimously recommends that the shareholders of the company vote FOR each of the proposals described below.

Your vote is very important. Whether or not you expect to attend in person, we urge you to submit a proxy to vote your shares as promptly as possible by signing and returning the enclosed proxy card in the postage-paid envelope provided, so that your shares may be represented and voted at the Special Shareholder Meeting. If your shares are held in an Allied World plan or in the name of a bank, brokerage firm or other nominee, please follow the instructions on the voting instruction card furnished by the plan trustee or administrator, or record holder, as appropriate.

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If you have any questions or need assistance in voting your shares, please contact our proxy solicitor, Georgeson LLC, at (800) 248-7690.

Thank you for your continued support.

Sincerely,

Scott A. Carmilani
Chairman of the Board of Directors
Allied World Assurance Company Holdings, AG

ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG

NOTICE OF SPECIAL SHAREHOLDER MEETING

August 3, 2017

DATE: Wednesday, August 16, 2017

TIME: 2:00 p.m., local time

PLACE: Corporate headquarters: Park Tower, 15th floor, Gubelstrasse 24, 6300 Zug, Switzerland

ITEMS OF BUSINESS:

Approve and adopt the Swiss Merger Agreement and the merger of Allied World with and into Fairfax (Switzerland).

Approve the 2017 compensation for executives as required under Swiss law.

Approve the 2017 compensation for directors as required under Swiss law.

RECORD DATE: Only shareholders of record holding common shares, as shown on our transfer books, as of the close of business on July 18, 2017 are entitled to vote at the Special Shareholder Meeting.

MATERIALS TO REVIEW: This document contains our Notice of Special Shareholder Meeting, Proxy Statement, Swiss Merger Agreement, a copy of the prospectus (defined below) and Swiss Merger Report.

PROXY VOTING: It is important that your shares be represented and voted at the Special Shareholder Meeting. Please promptly sign, date and return the enclosed proxy card in the return envelope furnished for that purpose whether or not you plan to attend the meeting. If you later desire to revoke your proxy for any reason, you may do so in the manner described in the attached Proxy Statement.

By Order of the Board of Directors,

Theodore Neos
Corporate Secretary

PROXY STATEMENT

SPECIAL MEETING INFORMATION

Q: **Why am I receiving these materials?**

A: You are receiving these materials because you are a shareholder of Allied World Assurance Company Holdings, AG as of the Record Date (as defined below). The board of directors of Allied World (the Board) is soliciting the enclosed proxy to be voted at the Extraordinary General Meeting of the company's shareholders to be held at 2:00 p.m., local time, on Wednesday, August 16, 2017 at the company's corporate headquarters, Park Tower, 1st floor, Gubelstrasse 24, 6300 Zug, Switzerland (the Special Shareholder Meeting). This Proxy Statement summarizes the information you need to know in order to vote at the Special Shareholder Meeting.

You may be receiving these materials because you did not validly tender your shares in the Offer, which expired on July 5, 2017. Pursuant to the terms of the merger agreement between Fairfax and Allied World, a squeeze-out merger under Swiss law will be initiated upon which your shares will be cancelled against payment of the Merger Consideration (as defined below). See Recent Developments: Merger Agreement with Fairfax below for more information.

You are receiving a copy of the prospectus (defined below) as Annex B, which we are required to deliver to you under U.S. federal securities laws, because a portion of the consideration being offered in the proposed merger consists of Fairfax shares. We have included the May 9, 2017 prospectus to satisfy our Schedule 14A disclosure obligations. Note that the discussion under the Proposal 1 heading of this Proxy Statement reflects the most recent

information about the status of the merger transaction.

When the enclosed proxy card is properly executed and returned, the company's registered voting shares (the common shares) it represents will be voted, subject to any direction to the contrary, at the Special Shareholder Meeting **FOR** the matters specified in the Notice of Special Shareholder Meeting attached hereto and described more fully herein.

This Proxy Statement, the attached Notice of Special Shareholder Meeting and the enclosed proxy card are being first mailed to shareholders on or about August 3, 2017.

Except as the context otherwise requires, references in this Proxy Statement to we, us, our and the company refer to Allied World Assurance Company Holdings, AG and its direct and indirect subsidiaries on a consolidated basis. Also, in this Proxy Statement, \$ and USD refer to U.S. dollars, CHF refers to Swiss francs and local time means the time in Switzerland.

Q: **Who is entitled to vote?**

A: The Board has set July 18, 2017, as the record date for the Special Shareholder Meeting (the Record Date). Holders of our common shares as of the close of business on the Record Date will be entitled to vote at the Special Shareholder Meeting. As of the Record Date, there were outstanding 87,616,523 common shares. Fairfax (Switzerland) owned 82,845,778 common shares (or 94.6% of the outstanding common shares) as of the Record Date.

Beneficial owners of our common shares and shareholders registered in our share register

with common shares at the close of business on the Record Date are entitled to vote at the Special Shareholder Meeting. Shareholders not registered in our share register as of the Record Date will not be entitled to attend, vote or grant proxies to vote at the Special Shareholder Meeting. No shareholder will be entered in our share register as a shareholder with voting rights between the close of business on the Record Date and the opening of business on the day following the Special Shareholder Meeting. Continental Stock Transfer & Trust Company, as transfer agent, which maintains our share register, will, however, continue to register transfers of our registered shares in the share register in its capacity as transfer agent during this period.

Q: What is the difference between holding shares as a shareholder of record and as a beneficial owner?

A: Most of our shareholders hold their shares through a bank, brokerage firm or other nominee rather than directly in their own name. As summarized below, there are some differences between shares held of record and those owned beneficially.

Shareholder of Record

If your common shares are registered directly in your name in our share register operated by our transfer agent, Continental Stock Transfer & Trust Company, you are considered the shareholder of record with respect to those shares and these proxy materials are being sent to you directly by us. As the shareholder of record, you have the right to grant your voting proxy directly to the independent proxy mentioned in the proxy card (see *How do I appoint and vote via the independent proxy if I am a shareholder of record?* below), grant your voting proxy to any other person (who does not need to be a shareholder) or vote in person at the Special Shareholder Meeting.

Beneficial Owner

If your common shares are held by a bank, brokerage firm or other nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your bank, brokerage firm or other nominee who is considered, with respect to those shares, the shareholder of record. As the beneficial owner, you have the right to direct your bank, broker or other nominee on how to vote your common shares and are also invited to attend the Special Shareholder Meeting. However, since you are not the shareholder of record, you may only vote these common shares in person at the Special Shareholder Meeting if you follow the instructions described below under the heading *How do I vote?* Your bank, brokerage firm or other nominee has enclosed a voting instruction card for you to use in directing your bank, broker or other nominee as to how to vote your common shares, which may contain instructions for voting by telephone or electronically.

Q: How many votes are required to transact business at the Special Shareholder Meeting?

A: A quorum is required to transact business at the Special Shareholder Meeting. The quorum required at the Special Shareholder Meeting is two or more persons present in person and representing in person or by proxy throughout the meeting more than 50% of the total issued and outstanding common shares registered in our share register.

Q: What will I be voting on, what vote is required and how will abstentions and broker non-votes be counted?

A: The following chart describes the proposals to be considered at the meeting, the vote required to adopt each proposal and the manner in which the votes will be counted:

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	Proposal	Vote Required	Effect of Abstentions	Effect of Broker Non-Votes
1	Approve and adopt the Swiss Merger Agreement and the merger of Allied World with and into Fairfax (Switzerland)	90% of all shares(1)	Vote against	Vote against
2	Approve the 2017 compensation for executives as required under Swiss law	Majority of votes cast(2)	Vote not counted	Vote not counted
3	Approve the 2017 compensation for directors as required under Swiss law	Majority of votes cast(2)	Vote not counted	Vote not counted

(1) The approval of this proposal requires the approval of at least 90% of company shares entitled to vote.

(2) The approval of this proposal requires the approval of the simple majority of the votes cast at the Special Shareholder Meeting.

- Abstentions and broker non-votes will be counted toward the presence of a quorum at the Special Shareholder Meeting.

- Broker non-votes are shares held by banks or brokers for which voting instructions have not been received from the beneficial owners or the persons entitled to vote those shares and for which the bank or broker does not have discretionary voting power under rules applicable to broker-dealers. If you own shares through a bank or brokerage firm and you do not instruct your bank or broker how to vote, your bank or broker will not have discretion to vote on any of the proposals in this Proxy Statement as they are non-routine matters.

Q: What are the voting recommendations of the Board?

A: Your Board unanimously recommends that you vote FOR each of the proposals in this Proxy Statement.

Q: How does the voting take place at the Special Shareholder Meeting?

A: A vote will be taken on all matters properly brought before the Special Shareholder Meeting. Each shareholder present who elects to vote in person and each person holding a valid proxy is entitled to one vote for each common share owned or represented.

Q: How many votes do I have?

A: Holders of our common shares are entitled to one vote per share on each matter to be

voted upon by the shareholders at the Special Shareholder Meeting.

Q: How do I vote?

A: The manner in which your shares may be voted depends on how your shares are held. If you own shares of record, meaning that your common shares are represented by certificates or book entries in your name so that you appear as a shareholder of record in the

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company's share register maintained by our transfer agent, Continental Stock Transfer & Trust Company, a proxy card for voting those shares will be included with this Proxy Statement. You may direct how your shares are to be voted by completing, signing and returning the proxy card in the enclosed envelope. You may also vote your common shares in person at the Special Shareholder Meeting.

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If you own shares through a bank, brokerage firm or other nominee you may instead receive from your bank, brokerage firm or nominee a voting instruction form with this Proxy Statement that you may use to instruct them as to how your shares are to be voted. As with a proxy card, you may direct how your shares are to be voted by completing, signing and returning the voting instruction form in the envelope provided. Many banks, brokerage firms and other nominees have arranged for internet or telephonic voting of shares and provide instructions for using those services on the voting instruction form. If you want to vote your shares in person at the meeting, you must obtain a proxy from your bank, broker or nominee giving you the right to vote your common shares at the Special Shareholder Meeting.

We have requested that banks, brokers and other nominees forward solicitation materials to the beneficial owners of common shares and will reimburse the banks, brokers and other nominees for their reasonable out-of-pocket expenses for forwarding the materials.

Q:

Who will count the vote?

A:

A representative from Baker McKenzie Zurich, a law firm, will act as the inspector of elections and will be responsible for tabulating the votes cast by proxy (which will have been certified by our independent transfer agent) or in person at the Special Shareholder Meeting. Under Swiss law, we are responsible for determining whether or not a quorum is present and the final voting results.

Q:

What does it mean if I receive more than one set of the Proxy Statement and proxy card?

A:

Generally, it means that you hold shares registered in more than one account. You should complete, sign and return each proxy card you receive to ensure that all of your shares are voted.

Q:

What happens if I sign and return my proxy card but do not indicate how to vote my shares?

A:

If no instructions are provided in an executed proxy card, the common shares represented by the proxy will be voted at the Special Shareholder Meeting in accordance with the Board's recommendation for each proposal. As to any other business that may properly come before the Special Shareholder Meeting, you may provide general instructions, as indicated on the proxy card, as to how such other business is to be voted. If you provide no instruction, the common shares represented by the proxy will be voted in accordance with the Board's recommendation as to such business.

Q:

How do I appoint and vote via the independent proxy if I am a shareholder of record?

A:

If you are a shareholder of record as of the Record Date, under Swiss law you may authorize the independent proxy, Buis Buergi AG, Muehlebachstrasse 8, P.O. Box 672, CH-8024 Zurich, Switzerland, e-mail at proxy@bblegal.ch, with full rights of substitution, to vote your common shares on your behalf. If you authorize the independent proxy to vote your shares without giving instructions (or without giving clear instructions), your shares will be voted in accordance with the recommendations of the Board with regard to the items listed in the notice of meeting. If new agenda items (other than those in the notice of meeting) or new proposals or motions with respect to those agenda items set forth in the notice of meeting are being put forth before the Special Shareholder Meeting, you may provide general instructions, as indicated on the proxy card, as to how such other business is to be voted. If you provide no instruction, the common shares represented by the proxy will be voted in accordance with the Board's recommendation as to such business. Proxy cards authorizing the independent proxy to vote your shares must be sent directly to the independent proxy.

arriving no later than 6:00 a.m., local time, on August 16, 2017. If sending by e-mail to the independent proxy, you must attach the executed proxy card in order for your vote to be counted.

Q: Can I change my vote after I have mailed my signed proxy card or otherwise instructed how my shares are to be voted?

A: Yes. You may change your vote:

- By providing the Corporate Secretary with written notice of revocation, by voting in person at the Special Shareholder Meeting or by executing a later-dated proxy card; *provided, however*, that the action is taken in sufficient time to permit the necessary examination and tabulation of the subsequent proxy or revocation before the vote is taken;
- If you have granted your proxy to the independent proxy, by providing Buis Buergi AG with written notice of revocation, by voting in person at the Special Shareholder Meeting or by executing a later-dated independent proxy card. Revocation of, or changes to, proxies issued to the independent proxy must be received by the independent proxy by 6:00 a.m., local time, on August 16, 2017 either by mail to Buis Buergi AG, Muehlebachstrasse 8, P.O. Box 672, CH-8024 Zurich, Switzerland or by e-mail at proxy@bblegal.ch; or
- If you own shares through a bank, brokerage firm or other nominee, by obtaining a proxy from your bank, broker or nominee giving you the right to vote your common shares at the Special Shareholder Meeting.

Attendance at the Special Shareholder Meeting by a shareholder who has executed and delivered a proxy card to the independent proxy shall not in and of itself constitute a revocation of such proxy. Only your vote at the Special Shareholder Meeting will revoke your proxy.

Q: Who pays the costs of soliciting proxies?

A: We will bear the cost of the solicitation of proxies. Solicitation will be made by mail, and may be made by our directors, officers and employees, personally or by telephone, facsimile or other electronic means, for which our directors, officers and employees will not receive any additional compensation. Proxy cards and materials also will be distributed to beneficial owners of common shares through banks, brokers, custodians, nominees and other parties, and the company expects to reimburse such parties for their reasonable charges and expenses. Georgeson LLC has been retained to assist us in the solicitation of proxies at a fee not expected to exceed \$25,000, plus out-of-pocket expenses.

Q:

Do I have appraisal rights with respect to the Merger?

Yes. In connection with the Merger, Allied World shareholders can exercise appraisal rights under article 105 of the Swiss Merger Act by filing a suit against the surviving company with the competent Swiss civil court at the registered office of the surviving company or of Allied World. The suit must be filed by Allied World shareholders within two months after the Merger resolution has been published in the Swiss Official Gazette of Commerce. In accordance with article 35 of the Swiss Ordinance on the Commercial Registry, the Merger resolution will be published in the Swiss Commercial Gazette within two business days after the Federal Register of Commerce has approved the Merger and submitted its approval to the Swiss Commercial Gazette for publication.

Allied World shareholders who tendered all of their Allied World common shares in the Offer, and who do not hold Allied World common shares thereafter, and Allied World shareholders who vote for the approval and adoption of the Swiss Merger Agreement and the Merger, will not be able to file a suit to exercise appraisal rights. If such a suit is filed by non-tendering Allied World shareholders, or by Allied World shareholders who do not vote for the approval and adoption of the Swiss Merger Agreement and the Merger, the court will determine whether the Merger Consideration was inadequate and the amount of compensation due to the relevant Allied World shareholder, if any, and such court's determination will benefit all remaining Allied World shareholders. The filing of an appraisal suit will not prevent completion of the Merger.

Organizational Matters Required by Swiss Law

Admission to the Special Shareholder Meeting

Shareholders who are registered in our share register on the Record Date will receive the Proxy Statement and proxy card from Continental Stock Transfer & Trust Company, our transfer agent. Beneficial owners of shares will receive instructions from their bank, brokerage firm or other nominee acting as shareholder of record to indicate how they wish their shares to be voted. Beneficial owners who wish to vote in person at the Special Shareholder Meeting must obtain a power of attorney from their bank, brokerage firm or other nominee that authorizes them to vote the shares held by them on their behalf. In addition, you must bring to the Special Shareholder Meeting an account statement or letter from your bank, brokerage firm or other nominee indicating that you are the owner of the common shares. Shareholders of record registered in our share register are entitled to participate in and vote at the Special Shareholder Meeting. Each share is entitled to one vote. Please see the questions and answers provided under [Special Meeting Information](#) for further information.

Granting a Proxy

If you are a shareholder of record, please see [How do I vote?](#) and [How do I appoint and vote via the independent proxy if I am a shareholder of record?](#) above in the Proxy Statement for more information on appointing an independent proxy.

Registered shareholders who have appointed the independent proxy as a proxy may not vote in person at the Special Shareholder Meeting or send a proxy of their choice to the meeting unless they revoke or change their proxies. Revocations to the independent proxy must be received by him by no later than 6:00 a.m., local time, on August 16, 2017 either by mail to Buis Buergi AG, Muehlebachstrasse 8, P.O. Box 672, CH-8024 Zurich, Switzerland or by e-mail at proxy@bblegal.ch.

As indicated on the proxy card, with regard to the items listed on the agenda and without any explicit instructions to the contrary, the independent proxy will vote according to the recommendations of the Board. If new agenda items (other than those on the agenda) or new proposals or motions regarding agenda items set out in the invitation to the Special Shareholder Meeting are being put forth before the meeting, the independent proxy will vote in accordance with the position of the Board in the absence of other specific instructions.

Beneficial owners who have not obtained a power of attorney from their bank, brokerage firm or other nominee are not entitled to participate in or vote at the Special Shareholder Meeting.

Admission Office

The admission office opens on the day of the Special Shareholder Meeting at 1:30 p.m. local time. Shareholders of record attending the meeting are kindly asked to present their proxy card as proof of admission at the entrance.

Adjournments

The Board or chairman of the Board may postpone the Special Shareholder Meeting with sufficient factual reason, provided that notice of postponement is given to the shareholders in the same form as the invitation before the time for such meeting. A new notice is then required to hold the postponed meeting.

Recent Developments: Merger Agreement with Fairfax

On December 18, 2016, Allied World entered into an Agreement and Plan of Merger (the **Merger Agreement**) with Fairfax, pursuant to which, upon the terms and subject to the conditions set forth therein, Allied World will be acquired by Fairfax (the **Acquisition**). The Acquisition has been unanimously approved by the boards of directors of both companies.

On May 9, 2017, Fairfax, through its indirect, wholly-owned subsidiary, FFH Switzerland, and its direct, wholly-owned subsidiary, 1102952 B.C. Unlimited Liability Company, an unlimited liability company organized under the laws of the Province of British Columbia, Canada (**Canada Sub**), made the offer to acquire all of the outstanding Allied World common shares upon the terms and subject to the conditions set out in the prospectus dated May 9, 2017 (as amended, the **prospectus**), which is part of the Registration Statement on Form F-4 initially filed by Fairfax with the U.S. Securities and Exchange Commission (the **SEC**) on February 15, 2017, as amended by Amendment No. 1 to the Form F-4 filed by Fairfax with the SEC on April 7, 2017, Amendment No. 2 to the Form F-4 filed by Fairfax with the SEC on May 3, 2017, and Amendment No. 3 to the Form F-4 filed by Fairfax with the SEC on May 8, 2017, and in the related letter of transmittal (as amended, the **letter of transmittal**) filed as Exhibit (a)(4) to the Tender Offer Statement filed by Fairfax with the SEC on Schedule TO (as amended, the **Schedule TO**) on May 8, 2017. On May 8, 2017, Allied World filed its Solicitation/Recommendation Statement on Schedule 14D-9 (as amended, together with any exhibits and annexes attached thereto, the **Schedule 14D-9**).

The Offer was originally scheduled to expire at 11:59 p.m., New York City time, on June 30, 2017 and was extended until 5:00 p.m., New York City time, on July 5, 2017, at which time the Offer expired. Fairfax was advised by Continental Stock Transfer & Trust Company, the exchange agent for the Offer, that, as of the expiration time of the Offer, a total of 84,184,397 Allied World common shares (including 6,319,913 shares tendered by guaranteed delivery) were validly tendered in, and not withdrawn from, the Offer, representing approximately 96.1% of the Allied World common shares outstanding. All conditions to the Offer having been satisfied, after the expiration time, Fairfax accepted for payment, and promptly paid for, all Allied World common shares validly tendered in, and not withdrawn from, the Offer, in accordance with the U.S. tender offer rules.

Pursuant to the Offer, Allied World shareholders received a combination of cash and stock consideration for their Allied World common shares. For each Allied World common share held, Allied World shareholders who validly tendered in the Offer received (i) cash consideration of \$23.00, without interest (the **Cash Consideration**) and (ii) 0.057937 of a fully paid and nonassessable subordinate voting share of Fairfax (**Fairfax shares** and together with the Cash Consideration, collectively, the **Offer Consideration**).

In addition, Allied World paid a special cash dividend of \$5.00 per share, without interest, to all shareholders that tendered their Allied World common shares and all holders of record as of the close of trading on July 6, 2017 that did not tender their Allied World common shares, which was paid outside of the Offer but was conditioned upon completion of the Offer (the **Special Dividend**). The \$23.00 per share Cash Consideration payable under the Offer, together with the \$5.00 per share Special Dividend, resulted in Allied World shareholders receiving a total of \$28.00 in cash and 0.057937 of a Fairfax share per Allied World common share upon completion of the Offer. For details of how Allied World stock options or other stock-based awards were treated in the Offer, see the section of the prospectus entitled **The Merger Agreement Treatment of Allied World Options and Other Stock-Based Awards**.

As of the Record Date, as a result of the closing of the Offer, Fairfax indirectly owns or controls 94.6% of all outstanding Allied World common shares.

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Promptly following the closing of the Offer, Allied World, FFH Switzerland and Fairfax (Switzerland) entered into a merger agreement, dated as of July 16, 2017 (the Swiss Merger Agreement), which is attached as Annex A hereto. Pursuant to the Merger Agreement, Allied World has agreed to submit a proposal to Allied World's shareholders to approve the Swiss Merger Agreement and the merger contemplated thereby, pursuant to which Allied World will merge with and into Fairfax (Switzerland), with Fairfax (Switzerland) as the surviving entity (the Merger). See the section of this Proxy Statement entitled Proposal 1 Approve and Adopt the Swiss Merger Agreement and the Merger of Allied World with and into Fairfax (Switzerland) for more information on the Merger.

The foregoing summary of the Offer and the Merger is qualified in its entirety by the more detailed descriptions and explanations contained in the Swiss Merger Agreement (attached as Annex A), the prospectus (attached as Annex B) and the Swiss Merger Report (attached as Annex C). Allied World shareholders are urged to carefully read this Proxy Statement, the Swiss Merger Agreement, the Swiss Merger Report and the prospectus in order to more fully understand the terms and conditions of the Merger.

PROPOSAL 1

**APPROVE AND ADOPT THE SWISS MERGER AGREEMENT
AND THE MERGER OF ALLIED WORLD WITH AND INTO FAIRFAX (SWITZERLAND)**

Allied World shareholders are being asked to approve and adopt the Swiss Merger Agreement attached as Annex A hereto and the Merger contemplated thereby.

Fairfax and Allied World intend that, in accordance with the laws of Switzerland and the Swiss Merger Agreement, Fairfax (Switzerland) and Allied World will consummate the Merger, whereby Allied World will merge with and into Fairfax (Switzerland), with Fairfax (Switzerland) as the surviving entity. At such time, your Allied World common shares will be cancelled and, in accordance with the Swiss Merger Act, converted into the right to receive an amount of cash and Fairfax shares equal to the Offer Consideration (the Merger Consideration), and each Allied World common share owned by Allied World, Fairfax, or any direct or indirect subsidiary of Allied World or Fairfax will be automatically cancelled without any conversion thereof, in each case, on the terms and subject to the conditions set out in the Swiss Merger Agreement. The Merger will be effective at the time of the registration of the Merger in the Commercial Register of the Canton of Zug.

After careful consideration and based on consultations with its legal and financial advisers, the Board: (i) approved the Swiss Merger Agreement and authorized and approved the Merger; (ii) determined that the form, terms and provisions of the Swiss Merger Agreement, the performance by Allied World of its obligations thereunder and the consummation by Allied World of the transactions contemplated thereby, including the Merger, are advisable and fair to and in the best interests of Allied World; and (iii) resolved to recommend that the shareholders of Allied World approve the Swiss Merger Agreement and the Merger.

Your Board unanimously recommends a vote FOR the approval and adoption of the Swiss Merger Agreement and the Merger. Please note that as of the Record Date, Fairfax (Switzerland) owned 94.6% of the outstanding Allied World common shares representing sufficient votes to approve this proposal.

Certain of the information set forth below is contained in the prospectus, dated May 9, 2017 (as amended, the prospectus), which is attached as Annex B hereto. Such information is included for purposes of satisfying the requirements of Schedule 14A. Notwithstanding the section entitled Incorporation of Certain Information By Reference on page (i) of the prospectus, the documents referenced therein are not incorporated by reference into this Proxy Statement; however, we have included with the mailing of this Proxy Statement the following SEC-filed documents for purposes of satisfying the requirements of Schedule 14A:

- Fairfax's Annual Report on Form 40-F for the fiscal year ended December 31, 2016, filed on March 13, 2017, attached hereto as Exhibit A;
- Fairfax's Report on Form 6-K furnished on April 28, 2017 (except Exhibit 99.1), attached hereto as Exhibit B;
- Allied World's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed on February 28, 2017 and as amended on April 27, 2017, attached hereto as Exhibit C; and
- Allied World's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, filed on April 26, 2017, attached hereto as Exhibit D.

Approvals Under Swiss Law

Please see the section of the prospectus entitled *Plans and Proposals for Allied World – The Merger under Swiss Law*, which describes Swiss law considerations and required approvals in connection with the Merger.

Information and Consultation

The quotaholders, shareholders, employees and creditors of Allied World and Fairfax (Switzerland) (as applicable) will be informed and, to the extent required, consulted in accordance with the requirements of the Swiss Merger Act about the execution of the Swiss Merger Agreement and the Merger and, within this framework, documents will be submitted for inspection.

As announced by publication in the Swiss Official Gazette of Commerce No. 135 on July 14, 2017, the Swiss Merger Agreement and the Swiss merger report, each dated July 16, 2017 (the *Swiss Merger Report*), and the audit expert report pursuant to article 15 of the Swiss Merger Act dated July 16, 2017 prepared by PricewaterhouseCoopers AG, Zurich, were made available for inspection at Allied World's principal executive offices at Park Tower, 15th Floor, Gubelstrasse 24, 6300 Zug, Switzerland, and at Fairfax (Switzerland)'s and FFH Switzerland's registered offices both at c/o LacMont AG, Hofstrasse 1a, 6300 Zug, Switzerland, as well as at Fairfax's principal executive offices at 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada. In addition, the audited statutory financial statements of Allied World and Fairfax for the financial years ended December 31, 2016, 2015 and 2014; the audited statutory interim financial statements of Allied World as of March 31, 2017; the opening balance sheets of FFH Switzerland and Fairfax (Switzerland) as of February 14, 2017 and February 23, 2017, respectively; the audited interim balance sheet of Fairfax (Switzerland) as of July 7, 2017; this Proxy Statement; the prospectus; and the articles of association of Fairfax were made available for inspection as well. All of these documents were made available and still are available for inspection for a period of at least 30 days ending on August 15, 2017.

Applicable Law and Jurisdiction

The Swiss Merger Agreement (and any claims or disputes arising out of or related thereto) are in all respects governed by, and construed in accordance with, the laws of Switzerland, including all matters of construction, validity and performance, in each case without reference to any conflict of laws rules that might lead to the application of the laws of any other jurisdiction.

The Swiss Merger Report

On July 16, 2017, Fairfax, Allied World, FFH Switzerland and Fairfax (Switzerland) adopted the Swiss Merger Report in connection with the Merger. The Swiss Merger Report provides, among other things, a summary of the principal terms and conditions of the Swiss Merger Agreement, along with a summary of the rationale and consequences of the Merger and the consideration being provided to Allied World shareholders. This summary does not purport to be a complete description of the Swiss Merger Report, a copy of which is attached as Annex C to this Proxy Statement. Allied World shareholders are urged to read the Swiss Merger Report in its entirety. In the event of any discrepancy between the Swiss Merger Report and this summary, the Swiss Merger Report will control.

Risk Factors and Other Information

For a summary of the prospectus, see the section of the prospectus entitled *Summary*.

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For contact information and a general description of the nature of the parties' respective businesses, see the section of the prospectus entitled "Summary - The Companies" .

For a summary of the risks associated with the transactions, see the section of the prospectus entitled "Risk Factors" .

For selected financial data of Fairfax and Allied World, see the sections of the prospectus entitled "Selected Historical Consolidated Financial Data of Fairfax" and "Selected Historical Consolidated Financial Data of Allied World" .

For selected financial data of Fairfax and Allied World on a pro forma basis, see the sections of the prospectus entitled "Summary Unaudited Pro Forma Condensed Combined Financial Information" and "Unaudited Comparative Historical and Pro Forma Share Information" .

For information on the market value of the Allied World common shares and the Fairfax shares, see the section of the prospectus entitled "Comparative Market Information" .

For a statement about tax consequences resulting from the transactions, see the section of the prospectus entitled "Material Tax Consequences" .

Terms of the Transactions

For a summary of the terms of the Offer and the Merger, see the sections of the prospectus entitled "The Merger Agreement" and "Background to and Reasons for the Transactions - Allied World's Reasons for the Offer and the Merger; Recommendation of Allied World's Board of Directors" .

For a description of the reasons for the transactions, see "Background to and Reasons for the Transactions - Allied World's Reasons for the Offer and the Merger; Recommendation of Allied World's Board of Directors" .

For a summary of the differences in the rights of securityholders and corporate law, see the section of the prospectus entitled "Description of Fairfax Shares and Articles of Incorporation" and "Comparison of Shareholders' Rights" .

For information on accounting treatment, see the section of the prospectus entitled "The Offer - Accounting Treatment" .

For information on tax consequences, see the section of the prospectus entitled "Material Tax Consequences" .

For a summary of material reports, opinions or appraisals relating to the transactions, see the section of the prospectus entitled "Background to and Reasons for the Transactions - Opinion of Allied World's Financial Advisor" .

The Swiss Merger Agreement

For information about the Swiss Merger Agreement, see the section of the prospectus entitled "The Merger Agreement" , as well as the Swiss Merger Agreement and the Swiss Merger Report attached as Annexes A and C to this Proxy Statement, respectively. Allied World shareholders are urged to read the Swiss Merger Agreement and the Swiss Merger Report in each of their entirety. In the event of any discrepancy between the Swiss Merger Agreement or the Swiss Merger Report and this Proxy

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Statement (including the prospectus attached as Annex B hereto), the Swiss Merger Report or the Swiss Merger Agreement, as applicable, will control.

Pro Forma Financial Information

See the sections of the prospectus entitled *Summary Unaudited Pro Forma Condensed Combined Financial Information*, *Unaudited Comparative Historical and Pro Forma Share Information*, *Unaudited Pro Forma Condensed Combined Financial Information*, *Background to and Reasons for the Transactions*, *Opinion of Allied World's Financial Advisor* and *Presentation of Certain Financial and Other Information*.

Material Contracts with the Company Being Acquired

See the sections of the prospectus entitled *Related Party Transactions*, *Interests of Allied World, FFH Switzerland and Fairfax and their Directors and Officers*, *Interests of Allied World's Directors and Executive Officers in the Offer*, and *Interests of Allied World, FFH Switzerland and Fairfax and their Directors and Officers*, *Interests of Fairfax, FFH Switzerland and their Directors and Executive Officers in the Offer*.

Interests of Named Experts and Counsel

See the sections of the prospectus entitled *Background to and Reasons for the Transactions*, *Background to the Transactions* and *Background to and Reasons for the Transactions*, *Opinion of Allied World's Financial Advisor*.

Statement Regarding Conflicts of Interest

Except as set forth in this Proxy Statement or the prospectus, as of the date of this Proxy Statement, to our knowledge, there are no material agreements, arrangements or understandings, and no actual or potential conflicts of interest, between us or our affiliates, on the one hand, and (i) our executive officers, directors or affiliates or (ii) Fairfax or its executive officers, directors or affiliates, on the other hand.

Except as set forth in this Proxy Statement or the prospectus, as of the date of this Proxy Statement, none of Allied World or any of its subsidiaries, nor, to the best of our knowledge, any of the current directors and executive officers of Allied World, has had any business relationship or transaction with Fairfax or any of its executive officers, directors or affiliates that is required to be reported under the rules and regulations of the SEC applicable to the Merger, other than ordinary course of business reinsurance transactions between certain subsidiaries of Allied World, on the one hand, and certain subsidiaries of Fairfax, on the other hand, through which, in 2016, Fairfax insurance entities ceded a total of approximately \$3.5 million in premiums to Allied World entities, and Allied World entities ceded approximately \$27.1 million to Fairfax entities, and through which, in 2015, Fairfax insurance entities ceded a total of approximately \$5.6 million in premiums to Allied World entities, and Allied World entities ceded approximately \$29.6 million to Fairfax entities.

See also the section of the prospectus entitled *Related Party Transactions*.

Management and Employees after the Transactions

Fairfax has agreed that during the 12-month period following the closing of the transactions, it will not (and will cause its subsidiaries not to) reduce the base salary (or hourly wage) or certain

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incentive compensation opportunities of any Allied World employee. With respect to any Allied World employee whose employment is terminated by Fairfax, Allied World or any of their respective subsidiaries from and after the date on which FFH Switzerland accepted tendered Allied World common shares for exchange (the Acceptance Time) and on or before the first anniversary of the Acceptance Time, Fairfax will provide such employee with the payments and benefits as described in the disclosure letter delivered by Allied World to Fairfax simultaneously with the execution of the Merger Agreement.

Interests of Allied World's Directors and Executive Officers

Allied World's directors and executive officers have interests in the transactions that are different from, or in addition to, those of other shareholders of Allied World generally. These interests are described in the section of the prospectus entitled Interests of Allied World, FFH Switzerland and Fairfax and Their Directors and Officers Interests of Allied World's Directors and Executive Officers in the Offer .

Consideration Offered to Allied World Shareholders in Connection with the Merger

In connection with the Merger, Fairfax will provide non-tendering Allied World shareholders (except for Allied World, Fairfax, FFH Switzerland and Fairfax (Switzerland), which will not receive any compensation for any Allied World common shares directly or indirectly held by them) with the Merger Consideration, which may have a different value from the consideration that they would have received had they tendered their Allied World common shares in the Offer, because, among other factors:

- the value of the Fairfax shares at the time of completion of the Merger may be different than at the time of the completion of the Offer; and
- the Merger Consideration payable in the Merger would be subject to appraisal rights and may therefore be subject to court review.

As a result of the Merger, each outstanding Allied World common share (other than Allied World common shares owned by (a) Allied World, Fairfax, FFH Switzerland and Fairfax (Switzerland), which will not receive any compensation for any Allied World common shares directly or indirectly held by them or (b) any shareholder of Allied World who is entitled to and properly demands and exercises appraisal rights with respect to such Allied World common shares pursuant to, and complies in all respects with, the applicable provisions of Swiss law) will, at the effective time of the Merger, be converted into the right to receive (i) \$23.00, payable net to the holder thereof in cash, without interest, subject to any withholding taxes required by applicable law, and (ii) 0.057937 of a Fairfax share, which is the same as the consideration paid in the Offer.

Fractional Shares

No fractional Fairfax shares will be issued to Allied World shareholders. See the section of the prospectus entitled The Offer Fractional Shares for more information.

Settlement

The Merger Consideration will be paid to Allied World shareholders as soon possible following the implementation of the Merger. See the section of the prospectus entitled The Offer Settlement of the Offer for more information.

Certain Allied World Prospective Financial Information

Allied World does not, as a matter of course, make public long-term forecasts as to future performance or other prospective financial information beyond the current fiscal year, and Allied World is especially wary of making forecasts or projections for extended periods due to the unpredictability of the underlying assumptions and estimates. However, as part of the due diligence review of Allied World in connection with the transactions, Allied World's management prepared certain non-public, internal financial forecasts regarding Allied World's projected future operations for fiscal years 2017 through 2021 and provided such financial forecasts to Fairfax's management. These forecasts were also considered by the Allied World Board for purposes of evaluating the transactions. For more information on such forecasts, see the section of the prospectus entitled "Background to and Reasons for the Transactions - Certain Allied World Prospective Financial Information."

Material Tax Considerations of the Merger

For information on the U.S. federal income tax consequences of the receipt of the Merger Consideration, which will have the same U.S. federal income tax treatment as receipt of the Offer Consideration, see the section of the prospectus entitled "Material Tax Consequences - Material U.S. Federal Income Tax Considerations." You should consult your own tax advisor on the tax consequences to you resulting from the Merger.

For information on the Swiss tax consequences of the Merger, see the section of the prospectus entitled "Material Tax Consequences - Material Swiss Tax Considerations for Allied World Shareholder in Connection with the Offer" and the Swiss Merger Report. You should consult your own tax advisor on the tax consequences to you resulting from the Merger.

Appraisal Rights

In connection with the Merger, Allied World shareholders can exercise appraisal rights under article 105 of the Swiss Merger Act by filing a suit against the surviving company with the competent Swiss civil court at the registered office of the surviving company or of Allied World. The suit must be filed by Allied World shareholders within two months after the Merger resolution has been published in the Swiss Official Gazette of Commerce. In accordance with article 35 of the Swiss Ordinance on the Commercial Registry, the Merger resolution will be published in the Swiss Commercial Gazette within two business days after the Federal Register of Commerce has approved the Merger and submitted its approval to the Swiss Commercial Gazette for publication. Allied World shareholders who tendered all of their Allied World common shares in the Offer, and who do not hold Allied World common shares thereafter, and Allied World shareholders who vote for the approval and adoption of the Swiss Merger Agreement and the Merger, will not be able to file a suit to exercise appraisal rights. If such a suit is filed by non-tendering Allied World shareholders, or by Allied World shareholders who do not vote for the approval and adoption of the Swiss Merger Agreement and the Merger, the court will determine whether the Merger Consideration was inadequate and the amount of compensation due to the relevant Allied World shareholder, if any, and such court's determination will benefit all remaining Allied World shareholders. The filing of an appraisal suit will not prevent completion of the Merger.

Regulatory Approvals

No further regulatory approvals will be required for the completion of the Merger.

Effects of the Merger on Allied World

As a result of the Merger, Allied World will merge with and into Fairfax (Switzerland). Fairfax (Switzerland) will be the surviving entity in the Merger. All of Allied World's assets and liabilities will be transferred to Fairfax (Switzerland) by operation of law with effect from the registration of the Merger in the Commercial Register of the Canton of Zug, Switzerland, and Allied World will be dissolved without liquidation and deleted from the Commercial Register.

Stock Exchange Delisting and Deregistration

On July 6, 2017, we notified the New York Stock Exchange (the NYSE) of our intention to delist the Allied World common shares from the NYSE, and on July 17, 2017, we filed a Form 25 Notification of Removal from Listing and/or Registration with the SEC. The Allied World common shares were delisted effective prior to market opening on July 28, 2017. For more information on delisting and deregistration of the Allied World common shares, see the section of the prospectus entitled Plans and Proposals for Allied World Delisting and Deregistration.

Market Price Information

The information set forth below is intended to supplement the table on page 228 of the section of the prospectus entitled Comparative Per Share Market Price and Dividend Information.

	Fairfax shares		Allied World shares	
	High	Low	High	Low
	(CAD\$)		(\$)	
Year ending December 31, 2017				
May (from May 3, 2017)	623.99	589.00	53.18	52.25
June	601.73	547.95	53.27	51.69
July (through July 27) ⁽¹⁾	594.14	552.01	53.82	47.65

(1) As noted above, the New York Stock Exchange suspended trading in Allied World's common shares effective prior to market opening on July 28, 2017, pursuant to a Form 25 filed by Allied World with the SEC on July 17, 2017.

Indemnification of Officers and Directors

Fairfax's by-laws provide that Fairfax will indemnify a director or officer, a former director or officer or a person who acts or acted at Fairfax's request as a director or officer of a body corporate of which Fairfax is or was a shareholder or creditor, and the heirs and legal representatives of such a person to the extent permitted by law.

Fairfax purchases and maintains directors' and officers' liability insurance for its directors and officers and the directors and officers of certain of its subsidiaries. This insurance forms a part of a blended insurance program which provides a combined aggregate limit of liability of \$215 million, with a deductible to Fairfax of \$10 million per loss under the directors' and officers' liability insurance. The approximate annual premium for this directors' and officers' liability insurance is \$1,700,000.

Section 124 of the CBCA and Fairfax's by-laws provide for the indemnification of directors and officers of Fairfax. Under these provisions, Fairfax shall indemnify a director or officer of Fairfax, a

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former director or officer, and may indemnify an individual who acts or acted at Fairfax's request as a director or officer or in a similar capacity of another entity (collectively, an Indemnified Person) against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the Indemnified Person in respect of any civil, criminal, administrative, investigative or other proceeding (other than in respect to an action by or on behalf of Fairfax to procure a judgment in its favor) in which the individual is involved because of that association with Fairfax or other entity, if the Indemnified Person fulfills the following two conditions: (a) he or she acted honestly and in good faith with a view to the best interests of Fairfax or in the best interests of such other entity as applicable and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he or she had reasonable grounds for believing that his or her conduct was lawful. In respect of an action by or on behalf of Fairfax or such other entity to procure a judgment in its favor, Fairfax, with the approval of a court, may indemnify an Indemnified Person against all costs, charges and expenses reasonably incurred by him or her in connection with such action if he or she fulfills the conditions set out in clauses (a) and (b) of the previous sentence. Notwithstanding the foregoing, an Indemnified Person is entitled to indemnification from Fairfax in respect of all costs, charges and expenses reasonably incurred by him or her in connection with the defense of any civil, criminal, administrative, investigative or other proceeding to which he or she is made a party by reason of his or her association with Fairfax or such other entity if he or she fulfills the conditions in clauses (a) and (b) of this paragraph and was not judged by the court or other competent authority to have committed any fault or omitted to do anything that the individual ought to have done.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

PROPOSAL 2

**APPROVE THE 2017 COMPENSATION FOR EXECUTIVES
AS REQUIRED UNDER SWISS LAW**

Pursuant to Swiss law, we are required to hold binding shareholder say-on-pay votes for executive compensation either prospectively or retrospectively. Accordingly, the proposal described in this Proposal 2 gives shareholders the opportunity to approve the maximum aggregate amount of compensation that can be paid to our executive officers for 2017. The executive officers currently include the following nine senior executives: Messrs. Scott A. Carmilani, John R. Bender, Thomas A. Bradley, Wesley D. Dupont, Frank N. D. Orazio, Marshall J. Grossack, Louis P. Iglesias, Julian James and John J. McElroy.

The general principles of the company's executive compensation programs are described in Article 20b of our Articles of Association. A more detailed description of our executive compensation programs currently in effect and the actual amounts paid to our named executive officers for 2016 are described in our proxy statement for our 2017 Annual Shareholder Meeting, which was filed with the SEC on May 26, 2017 (the 2017 Annual Meeting Proxy Statement) under the section entitled Executive Compensation Compensation Discussion and Analysis (the CD&A). As described more fully in the CD&A, the Compensation Committee of the Board has established a compensation philosophy and related practices and follows a disciplined process in implementing our executive compensation programs and in making individual executive compensation determinations. Please read the Articles of Association and the CD&A to understand our executive compensation philosophy and process when considering this proposal.

For 2017, the company is proposing that shareholders approve the maximum aggregate compensation that can be paid to our executive officers in an amount not to exceed \$43.0 million. This amount is the maximum amount that the company can pay to our executive officers (other than additional amounts that may be payable to persons who newly assume executive officer functions after the Special Shareholder Meeting) and has been calculated using conservative assumptions in order to provide the Board and the company's management flexibility to reward superior performance across all businesses and to address unforeseen circumstances that might arise during 2017. The table below provides the amounts approved at the Annual Shareholder Meeting in 2016 for compensation in 2016, the actual amounts of compensation that were paid during 2016 and our estimates for maximum

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compensation levels for 2017. The comments provide insight into the assumptions we have used to make these estimates.

	2016 Approved Compensation	2016 Actual Compensation(1)	2017 Maximum Compensation for Approval	<u>Comments</u>
	(\$ in millions)	(\$ in millions)	(\$ in millions)	
Base Salaries	\$5.4	\$5.3	\$5.5	2016 and 2017 base salaries reflect actual salaries for our executive officers.
Annual Cash Bonus	\$11.2	\$7.0	\$11.3	Cash bonuses for 2016 were received in February 2017 and cash bonuses for 2017 will be received in February 2018. 2017 amount assumes maximum funding of the cash bonus pool at 200% upon achievement of superior performance.
Long-Term Compensation	\$13.5	\$10.1	\$10.1	Includes deferred cash awards.
Other Compensation	\$5.3	\$5.0	\$12.2	2017 amount includes the remaining three installments of a special contribution under our Second Amended and Restated Supplemental Executive Retirement Plan(2), as well as other benefits and perquisites that are described in more detail under the Retirement, Health and Welfare Benefits section of the CD&A and the Summary Compensation Table included in the 2017 Annual Meeting Proxy Statement.
Uplift	\$3.6	N/A	\$3.9	A 10% increase has been added to the 2017 Maximum Compensation for Approval column to provide flexibility in the case of extraordinary circumstances or upon the achievement of superior performance.
Total Compensation	\$39.0	\$27.4	\$43.0	Shareholders are being requested to approve the \$43.0 million of total compensation for 2017.

(1)

All 2016 actual amounts include Mr. John J. Gauthier who retired from his position as Executive Vice President & Chief Investment Officer effective as of January 31, 2017.

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(2)

We have established the Allied World Assurance Company (U.S.) Inc. Second Amended and Restated Supplemental Executive Retirement Plan (the "SERP") for our employees who are U.S. citizens and who reside in the United States. We contribute under the SERP up to 10% of a participant's annual base salary in excess of the then-effective maximum amount of annual compensation that could be taken into account under a qualified plan under the U.S. Internal Revenue Code of 1986, as established by the Internal Revenue Service from time to time, with an annual base salary cap of \$600,000.

Effective as of January 1, 2016, we amended the SERP so that, subject to shareholder approval as discussed below, certain executives will be entitled to receive a one-time contribution (the "Contribution") from us. The Contribution is in addition to the ordinary contributions made by us under the SERP and is subject to forfeiture in the event the executive's employment is terminated prior to January 1, 2020 by us with cause or by the executive without good reason as follows: 100% was to be forfeited if such termination occurred prior to January 1, 2017, 75% will be forfeited if such termination occurs on or after January 1, 2017 and prior to January 1, 2018, 50% will be forfeited if such termination occurs on or after January 1, 2018 and prior to January 1, 2019 and 25% will be forfeited if such termination occurs on or after January 1, 2019 and prior to January 1, 2020.

The Contribution was originally scheduled to be subject to shareholder approval in four equal installments at the 2016, 2017, 2018 and 2019 annual shareholder meetings of the company, and at the company's 2016 Annual Shareholder Meeting, shareholders approved the company's executive compensation proposal, which included the first installment of the Contribution. However, in connection with the Fairfax transaction, the company's shareholders are being asked to approve the remaining second, third and fourth installments of the Contribution at the Special Shareholder Meeting as part of the maximum aggregate amount of compensation that can be paid to our executive officers for 2017.

Please refer to the 2017 Annual Meeting Proxy Statement for additional information regarding the SERP and the Contribution.

We do not anticipate that the aggregate amount paid to our executive officers in 2017 will be at the maximum amount requested. Actual compensation paid to our executive officers in 2016 was \$27.4 million. Actual 2017 compensation will be dependent on our performance for the year.

If the shareholders do not approve this proposal, the Board may call an extraordinary general meeting of shareholders for reconsideration of this proposal.

Your Board unanimously recommends a vote FOR the approval of the maximum aggregate compensation that can be paid, granted or promised to our executive officers in 2017 in an amount not to exceed \$43.0 million. Please note that as of the Record Date, Fairfax (Switzerland) owned 94.6% of the outstanding Allied World common shares representing sufficient votes to approve this proposal.

PROPOSAL 3

**APPROVE THE 2017 COMPENSATION FOR DIRECTORS
AS REQUIRED UNDER SWISS LAW**

Pursuant to Swiss law, we are required to hold binding shareholder say-on-pay votes for director compensation either prospectively or retrospectively. Accordingly, the proposal described in this Proposal 3 gives shareholders the opportunity to approve the aggregate amount of compensation that can be paid to our non-management directors in 2017.

The general principles of the company's director compensation programs are described in Article 20b of our Articles of Association. A more detailed description of our director compensation programs currently in effect and the actual amounts paid to our non-management directors for 2016 are described in the 2017 Annual Meeting Proxy Statement. The company does not currently have, and does not plan to implement, a retirement benefit scheme for non-management directors.

For 2017, the company is proposing that shareholders approve the maximum aggregate compensation that can be paid to our non-management directors in an amount not to exceed \$2.6 million. This amount is the maximum amount that the company can pay to our non-management directors and has been calculated using conservative assumptions. The table below provides the amounts approved at the Annual Shareholder Meeting in 2016 for compensation in 2016, the actual amounts of compensation that were paid during 2016 and our estimates for maximum compensation levels for 2017. The comments provide insight into the assumptions we have used to make these estimates.

	2016 Approved Compensation	2016 Actual Compensation(1)	2017 Maximum Compensation for Approval(1)	<u>Comments</u>
	(\$ in millions)	(\$ in millions)	(\$ in millions)	
Retainer Fees	\$0.90	\$0.90	\$0.90	Includes (i) the annual cash retainer paid to each non-management director and (ii) the Lead Independent Director fee, committee chair fees and the fee paid to each member of the Audit Committee (other than the chairperson).
Attendance Fees	\$0.43	\$0.48	\$0.41	Includes \$3,000 for each Board meeting attended and \$2,000 for each committee meeting attended. Assumes six meetings in 2017.
Deferred Cash Awards	\$0.63	\$0.63	\$0.63	Each non-management director received a deferred cash award of \$90,000 in 2017.
Other Compensation	\$0.08	\$0.05	\$0.07	Other compensation includes charitable matching grant contributions of \$10,000 per year per director.
Uplift	\$0.61	N/A	\$0.59	A 30% increase has been added to the 2017 Maximum Compensation for Approval column to provide flexibility in the case of extraordinary circumstances or if additional Board or committee meetings are necessary.
Total Compensation	\$2.65	\$2.06	\$2.60	Shareholders are being requested to approve the \$2.60 million of total compensation for 2017.

(1) All 2016 actual amounts reflect eight non-management directors, including Mr. James F. Duffy who retired from the Board effective April 19, 2016, and all 2017 maximum amounts reflect seven non-management directors.

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We do not anticipate that the aggregate amount paid to our directors in 2017 will be at the maximum amount requested. Actual 2017 compensation may vary in the event that extraordinary circumstances require the Board and its committees to meet more frequently. For 2017, amounts paid to our directors will be awarded under the same director compensation programs and under substantially the same terms as those in effect in 2016.

If the shareholders do not approve this proposal, the Board may call an extraordinary general meeting of shareholders for reconsideration of this proposal.

Your Board unanimously recommends a vote FOR the approval of the maximum aggregate compensation that can be paid, granted or promised to our directors in 2017 in an amount not to exceed \$2.6 million. Please note that as of the Record Date, Fairfax (Switzerland) owned 94.6% of the outstanding Allied World common shares representing sufficient votes to approve this proposal.

PRINCIPAL SHAREHOLDERS

The table below sets forth information as of July 18, 2017 regarding the beneficial ownership of our common shares by:

- each person known by us to beneficially own more than 5% of our outstanding common shares,
- each of our directors,
- our Chief Executive Officer (CEO), our Chief Financial Officer (CFO) and our three other most highly compensated officers who were serving as executive officers at the end of our 2016 fiscal year (collectively, our named executive officers or NEOs), and
- all of our directors and executive officers as a group.

Name and Address of Beneficial Owner	Beneficial Owner of Common Shares ⁽¹⁾	
	Number of Common Shares	Percentage of Common Shares
Fairfax (Switzerland) GmbH ⁽²⁾ c/o LacMont AG, Hofstrasse 1a, 6300 Zug, Switzerland Barbara T. Alexander	82,845,778	94.6%
Scott A. Carmilani	0	0.0%
Bart Friedman	0	0.0%
Patricia L. Guinn	0	0.0%
Fiona E. Luck	0	0.0%
Patrick de Saint-Aignan	0	0.0%
Eric S. Schwartz	0	0.0%
Samuel J. Weinhoff	0	0.0%
Thomas A. Bradley	0	0.0%
Wesley D. Dupont	0	0.0%
Frank N. D. Orazio	0	0.0%
Louis P. Iglesias	0	0.0%
All directors and executive officers as a group (17 persons)	0	0.0%

(1) Pursuant to the regulations promulgated by the SEC, our common shares are deemed to be beneficially owned by a person if such person directly or indirectly has or shares the power to vote or dispose of our common shares, whether or not such person has any pecuniary interest in our common shares, or the right to acquire the power to vote or dispose of our common shares within 60 days of July 18, 2017, including any right to acquire through the exercise of any option, warrant or right. As of July 18, 2017, we had 87,616,523 common shares issued and outstanding. All amounts listed represent sole voting and dispositive power unless otherwise indicated.

(2) Based on information reported on Schedule 13D, as filed by Fairfax (Switzerland) and the other reporting persons thereto with the SEC on July 14, 2017, Fairfax (Switzerland) has the following

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powers with respect to the common shares: (a) sole voting power: 0; (b) shared voting power: 82,845,778; (c) sole dispositive power: 0; and (d) shared dispositive power: 82,845,778.

OTHER MATTERS

Your Board does not know of any matters that may be presented at the Special Shareholder Meeting other than those specifically set forth in the Notice of Special Shareholder Meeting attached hereto. If matters other than those set forth in the Notice of Special Shareholder Meeting come before the meeting, the persons named in the accompanying form of proxy and acting thereunder will vote in their discretion with respect to such matters.

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ANNEX A

SWISS MERGER AGREEMENT

A-1

Fusionsvertrag
Merger Agreement

vom 16. Juli 2017
dated as of July 16, 2017

zwischen
by and between

Allied World Assurance Company Holdings, AG
Gubelstrasse 24, 6300 Zug

(die **ÜBERTRAGENDE GESELLSCHAFT**)
(the Transferring Company)

und
and

Fairfax (Switzerland) GmbH
clo LacMont AG, Hofstrasse 1A, 6300 Zug

(die **ÜBERNEHMENDE GESELLSCHAFT**)
(the Surviving Company)

und
and

Fairfax Financial Holdings (Switzerland) GmbH
clo LacMont AG, Hofstrasse 1A, 6300 Zug

(FFH SWITZERLAND)

(die **ÜBERTRAGENDE GESELLSCHAFT**, die **ÜBERNEHMENDE GESELLSCHAFT** und **FFH SWITZERLAND** je eine **PARTEI**, und
zusammen die **PARTEIEN**)

*(the Transferring Company, the Surviving Company and FFH Switzerland each a **Party**, and together the **Parties**)*

betreffend
regarding

Fusion
Merger

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Annex 2.1 *Audited merger balance sheet of the Transferring Company as of March 31, 2017*

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Präambel
Preamble

A.

Die ÜBERTRAGENDE GESELLSCHAFT ist eine Aktiengesellschaft nach schweizerischem Recht gemäss den Art. 620 ff. des Schweizerischen Obligationenrechts (**OR**), mit Sitz in Zug (Firmennummer CHE-115.679.530). Das Aktienkapital der ÜBERTRAGENDEN GESELLSCHAFT beträgt CHF 387 683 154.70, eingeteilt in 94 556 867 voll liberierte Namenaktien mit einem Nennwert von je CHF 4.10 (je eine **AW AKTIE** und zusammen die **AW AKTIEN**).

*The Transferring Company is a stock corporation under Swiss law in accordance with article 620 et seq. of the Swiss Code of Obligations (CO), with registered seat in Zug (identification no CHE-115.679.530). The share capital of the Transferring Company is CHF 387,683,154.70, divided into 94,556,867 fully paid-in registered shares with a nominal value of CHF 4.10 each (each an **AW Share** and together the **AW Shares**).*

B.

Die ÜBERNEHMENDE GESELLSCHAFT ist eine Gesellschaft mit beschränkter Haftung nach schweizerischem Recht gemäss den Art. 772 ff. OR, mit Sitz in Zug (Firmennummer CHE-493.322.261). Im Zeitpunkt der Unterzeichnung dieses FUSIONSVERTRAGES beträgt das Stammkapital der ÜBERNEHMENDEN GESELLSCHAFT CHF 20 000.00, eingeteilt in 200 Stammanteile mit einem Nennwert von je CHF 100.00. Alle Stammanteile der ÜBERNEHMENDEN GESELLSCHAFT werden von FFH SWITZERLAND gehalten.

The Surviving Company is a limited liability company under Swiss law in accordance with article 772 et seq. CO, with registered seat in Zug (identification no CHE-493.322.261). At the time of signing of this Merger Agreement, the quota capital of the Surviving Company is CHF 20,000.00, divided into 200 quotas with a nominal value of CHF 100.00 each. All quotas of the Surviving Company are held by FFH Switzerland.

C.

FFH SWITZERLAND ist eine Gesellschaft mit beschränkter Haftung nach schweizerischem Recht gemäss den Art. 772 ff. OR, mit Sitz in Zug (Firmennummer CHE-138.055.180). Im Zeitpunkt der Unterzeichnung dieses FUSIONSVERTRAGES beträgt das Stammkapital der FFH SWITZERLAND CHF 10 000 000.00, eingeteilt in 32 589 A-Stammanteile mit einem Nennwert von je CHF 100.00 und 67 411 B-Stammanteile mit einem Nennwert von je CHF 100.00.

FFH Switzerland is a limited liability company under Swiss law in accordance with article 772 et seq. CO, with registered seat in Zug (identification no CHE-138.055.180). At the time of signing of this Merger Agreement, the quota capital of FFH Switzerland is CHF 10,000,000.00, divided into 32,589 Class A quotas with a nominal value of CHF 100.00 each and 67,411 Class B quotas with a nominal value of CHF 100.00 each.

D.

Die AW AKTIEN sind an der New York Stock Exchange (**NYSE**) unter dem Ticker Symbol AWH kotiert. Vor Unterzeichnung dieses Fusionsvertrages (der **FUSIONSVERTRAG**) hat FFH SWITZERLAND ein Tauschangebot für alle ausstehenden kotierten AW AKTIEN lanciert (das **ANGEBOT**). Im Rahmen des ANGEBOTS wurde den Aktionären der ÜBERTRAGENDEN GESELLSCHAFT für eine AW AKTIE USD 23.00 in bar sowie 0.057937 Subordinate Voting Shares (die **FFHL AKTIEN**) von Fairfax Financial Holdings Limited, einer Aktiengesellschaft nach kanadischem Recht mit Sitz in Toronto, Ontario, Kanada (**FFHL**), angeboten. Die FFHL AKTIEN sind an der Toronto Stock Exchange (**TSX**) unter dem Ticker Symbol FFH kotiert. FFH SWITZERLAND wurden insgesamt

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82 845 778W AKTIEN unwiderruflich angedient, welche FFH SWITZERLAND nach Ende der Angebotsfrist der ÜBERNEHMENDEN GESELLSCHAFT übertragen hat.

*The AW Shares are listed on the New York Stock Exchange (NYSE) under the ticker symbol AWH. Prior to signing of this merger agreement (the **Merger Agreement**), FFH Switzerland launched an exchange offer for all outstanding listed AW Shares (the **Offer**). In the Offer the shareholders of the Transferring Company were offered for one AW Share USD 23.00 in cash plus 0.057937 subordinate voting shares (the **FFHL Shares**) of Fairfax Financial Holdings Limited, a corporation pursuant to Canadian law having its registered office in Toronto, Ontario, Canada (**FFHL**). The FFHL Shares are listed on the Toronto Stock Exchange (**TSX**) under the ticker symbol FFH. FFH Switzerland were in aggregate irrevocably tendered 82,845,778 AW Shares, which FFH Switzerland transferred to the Surviving Company following the expiry of the Offer period.*

E.

Im Zeitpunkt der Unterzeichnung dieses FUSIONSVERTRAGES hält die ÜBERNEHMENDE GESELLSCHAFT 82 845 778W AKTIEN und damit ungefähr 94.6% des ausstehenden Aktienkapitals der ÜBERTRAGENDEN GESELLSCHAFT (ohne Berücksichtigung der von der ÜBERTRAGENDEN GESELLSCHAFT gehaltenen eigenen Aktien).

At the time of signing of this Merger Agreement, the Surviving Company holds 82,845,778 AW Shares and thus approximately 94.6% of the outstanding share capital of the Transferring Company (without considering own shares held by the Transferring Company).

F.

Die ÜBERNEHMENDE GESELLSCHAFT und die ÜBERTRAGENDE GESELLSCHAFT beabsichtigen im Rahmen der laufenden Transaktion ihre beiden Gesellschaften gemäss den Bestimmungen des vorliegenden FUSIONSVERTRAGES zu fusionieren.

The Surviving Company and the Transferring Company intend to merge their companies in the context of the ongoing transaction according to the terms and conditions set forth in this Merger Agreement.

G.

Die ÜBERTRAGENDE GESELLSCHAFT und die ÜBERNEHMENDE GESELLSCHAFT verfügen über keine Mitarbeiter, sodass Mitarbeiterinformationen und/oder -konsultationen i.S.v. Art. 28 FUSG i.V.m. Art. 333a OR entfallen.

The Transferring Company and the Surviving Company do not have any employees, as a consequence of which there is no need for information and/or consultation of employees pursuant to article 28 Merger Act in connection with article 333a CO.

Gestützt hierauf vereinbaren die PARTEIEN was folgt:

Now therefore, the Parties agree as follows:

1. **Zusammenschluss**

Combination

Die ÜBERNEHMENDE GESELLSCHAFT und die ÜBERTRAGENDE GESELLSCHAFT vereinbaren hiermit, sich gemäss den Bestimmungen dieses FUSIONSVERTRAGES im Sinne von Art. 3 Abs. 1 lit. a i.V.m. Art. 4 Abs. 1 lit. a und Art. 8 Abs. 2 FUSG zusammenzuschliessen.

The Surviving Company and the Transferring Company herewith agree to merge according to article 3 (1) (a) in connection with article 4 (1) (a) and article 8 (2) Merger Act in accordance with this Merger Agreement.

2. Durchführung des Zusammenschlusses

Implementation of Combination

2.1. Fusion

Merger

Die PARTEIEN vereinbaren hiermit, dass die ÜBERNEHMENDE GESELLSCHAFT und die ÜBERTRAGENDE GESELLSCHAFT im Sinne von Art. 3 Abs. 1 lit. a i.V.m. Art. 4 Abs. 1 lit. a und Art. 8 Abs. 2 FUSG nach Massgabe dieses FUSIONSVERTRAGES fusionieren werden (Absorptionsfusion zwischen einer Aktiengesellschaft und einer Gesellschaft mit beschränkter Haftung; Abfindungsfusion) (die **FUSION**) und damit alle Aktiven und Passiven der ÜBERTRAGENDE GESELLSCHAFT gemäss den Bestimmungen dieses FUSIONSVERTRAGES und dem FUSG auf die ÜBERNEHMENDE GESELLSCHAFT übergehen. Mit dem Übergang aller Aktiven und Passiven auf die ÜBERNEHMENDE GESELLSCHAFT und der Rechtswirksamkeit der FUSION wird die ÜBERTRAGENDE GESELLSCHAFT ohne Liquidation aufgelöst und im Handelsregister gelöscht.

*The Parties herewith agree that the Surviving Company and the Transferring Company shall merge according to article 3 (1) (a) in connection with article 4 (1) (a) and article 8 (2) Merger Act in accordance with the terms set forth in this Merger Agreement (merger by absorption between a stock corporation and a limited liability company; squeeze-out merger) (the **Merger**) such that all of the assets and liabilities of the Transferring Company shall be merged into the Surviving Company in accordance with this Merger Agreement and the Merger Act. Upon the merger of the assets and the liabilities into the Surviving Company and effectiveness of the Merger, the Transferring Company shall be dissolved without liquidation and deleted from the Commercial Register.*

Sämtliche Aktiven und Passiven der ÜBERTRAGENDE GESELLSCHAFT werden mit der Rechtswirksamkeit der FUSION, d.h. mit der Eintragung der FUSION in das Handelsregister, kraft Universalsukzession (von Gesetzes wegen) Aktiven und Passiven der ÜBERNEHMENDE GESELLSCHAFT. Per 31. März 2017, dem Stichdatum der als Anhang 2.1 beigefügten geprüften Fusionsbilanz (geprüfte handelsrechtliche Bilanz) der ÜBERTRAGENDE GESELLSCHAFT, belaufen sich die Aktiven der ÜBERTRAGENDE GESELLSCHAFT auf TUSD 3 228 917 und die Passiven auf TUSD 462 137, was einem Aktivenüberschuss von TUSD 2 766 780 entspricht. Sämtliche bis zur Rechtswirksamkeit der FUSION (d.h. mit der Eintragung im Handelsregister) von der ÜBERTRAGENDE GESELLSCHAFT vorgenommenen Handlungen gelten als für Rechnung der ÜBERTRAGENDE GESELLSCHAFT vorgenommen.

All assets and liabilities of the Transferring Company shall by operation of law (universal succession) become the assets and liabilities of the Surviving Company as of the Merger becoming effective, i.e. with effect from the registration of the Merger in the Commercial Register. As of March 31, 2017, the record date of the audited merger balance sheet set forth in Annex 2.1 (audited statutory balance sheet), the assets of the Transferring Company amount to TUSD 3,228,917 and the liabilities to TUSD 462,137, corresponding to a surplus of assets of TUSD 2,766,780. All actions taken by the Transferring Company until the merger becoming

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effective (i.e., with effect as of the registration of the merger in the Commercial Register) are deemed to have been taken for the account of the Transferring Company.

Die PARTEIEN haben einen gemeinsamen Fusionsbericht erstellt und werden diesen, zusammen mit diesem FUSIONSVERTRAG und den übrigen Dokumenten gemäss Art. 16 FUSG, ihren Aktionären bzw. ihren Gesellschaftern für mindestens 30 Tage vor der Beschlussfassung durch die Aktionäre der ÜBERTRAGENDEN GESELLSCHAFT bzw. die Gesellschafterin der ÜBERNEHMENDEN GESELLSCHAFT zur Einsicht auflegen. Die Parteien haben PricewaterhouseCoopers AG (CHE-106.839.438), in Zürich, gemeinsam mit der Prüfung des FUSIONSVERTRAGES, des Fusionsberichts und der Fusionsbilanz gemäss Art. 15 FUSG beauftragt.

The Parties have jointly prepared a merger report and will submit such report, together with this Merger Agreement and the other documents pursuant to article 16 Merger Act, for inspection by their shareholders and quotaholders, respectively, during at least 30 days prior to the resolutions of the shareholders of the Transferring Company and the quotaholder of the Surviving Company, respectively. The Parties have jointly mandated PricewaterhouseCoopers AG (CHE-106.839.438), in Zurich, to audit the Merger Agreement, the merger report and the merger balance sheet according to article 15 Merger Act.

2.2. Statuten und Firma

Articles of Incorporation and Company Name

Die Statuten der ÜBERNEHMENDEN GESELLSCHAFT werden im Zusammenhang mit dem Vollzug dieses FUSIONSVERTRAGES geändert.

The articles of incorporation of the Surviving Company will be amended in connection with the completion of the transactions contemplated in this Merger Agreement.

Die Firma der ÜBERNEHMENDEN GESELLSCHAFT wird in Allied World Assurance Company Holdings, GmbH (Allied World Assurance Company Holdings, S.à.r.l.) (Allied World Assurance Company Holdings, LLC) geändert. Ferner wird Artikel 14 um die Absätze 8 und 9 betreffend Schadloshaltung der Geschäftsführer und der mit der Geschäftsführung der Übernehmenden Gesellschaft betrauten Personen ergänzt. Schliesslich werden weitere kleinere Anpassungen an den Statuten vorgenommen.

The company name of the Surviving Company will be changed to Allied World Assurance Company Holdings, GmbH (Allied World Assurance Company Holdings, S.à.r.l.) (Allied World Assurance Company Holdings, LLC) . Further, new paragraphs 8 and 9 will be added to article 14 governing the indemnification of the managing officers and other persons entrusted with the management of the Surviving Company. Lastly, minor other amendments will be made to the articles of incorporation.

Da Stammanteile der ÜBERNEHMENDEN GESELLSCHAFT nicht Teil der Abfindung gemäss Artikel 3 sind, muss die ÜBERNEHMENDE GESELLSCHAFT keine Kapitalerhöhung durchführen.

Since quotas of the Surviving Company are not part of the compensation pursuant to Section 3, no increase of the quota capital of the Surviving Company is required.

2.3. Geschäftsführung

Management Board

Per Vollzug der FUSION soll sich die Geschäftsführung der ÜBERNEHMENDEN GESELLSCHAFT unverändert zusammensetzen. Es ist jedoch beabsichtigt, die Geschäftsführung der ÜBERNEHMENDEN GESELLSCHAFT nach dem Vollzug der Fusion mit weiteren Mitgliedern zu ergänzen.

As per completion of the Merger, the composition of the management board of the Surviving Company shall remain unchanged. It is intended, however, to complete the management board of the Surviving Company with additional members after completion of the Merger.

3. Abfindung

Compensation

Die PARTEIEN vereinbaren hiermit, dass jedem Aktionär der ÜBERTRAGENDEN GESELLSCHAFT (mit Ausnahme von FFH SWITZERLAND, der ÜBERNEHMENDEN GESELLSCHAFT, der ÜBERTRAGENDEN GESELLSCHAFT und FFHL, welche keine Abfindung für jegliche von ihnen direkt oder indirekt gehaltenen AW AKTIEN erhalten) anstelle von Stammanteilen an der ÜBERNEHMENDEN GESELLSCHAFT eine Abfindung im Sinne von Art. 8 Abs. 2 FUSG ausgerichtet wird.

The Parties herewith agree that each shareholder of the Transferring Company (except for FFH Switzerland, the Surviving Company, the Transferring Company and FFHL, which shall not receive any compensation for any AW Shares directly or indirectly held by them) shall receive a compensation pursuant to article 8 (2) Merger Act in lieu of quotas in the Surviving Company.

Die im Rahmen dieser FUSION auszurichtende Abfindung entspricht dem Angebotspreis, welcher im Rahmen des ANGEBOTS angeboten wurde. Die von FFH SWITZERLAND je AW AKTIE zu leistende Abfindung setzt sich somit aus einem Baranteil von USD 23.00 (die **BARABFINDUNG**) und 0.057937 FFHL AKTIEN (die **AKTIENABFINDUNG**) zusammen.

*The compensation paid in the context of this Merger shall be equal to the offer price offered in the Offer. The compensation for each AW Share therefore consists of an amount in cash of USD 23.00 (the **Cash Consideration**) and 0.057937 FFHL Shares (the **Share Consideration**) to be paid by FFH Switzerland.*

Es werden im Rahmen der AKTIENABFINDUNG nur ganze FFHL AKTIEN übertragen. Wenn Aktionäre der ÜBERTRAGENDEN GESELLSCHAFT aufgrund des Umtauschverhältnisses einen Anspruch auf einen Bruchteil einer FFHL AKTIE haben, wird dieser Bruchteil in bar abgegolten. Diese Barabgeltung (der **SPITZENAUSGLEICH**) wird auf den nächsten vollen Cent gerundet und berechnet durch Multiplikation (i) von USD 428.42 (entsprechend dem volumengewichteten durchschnittlichen Börsenschlusskurs der FFHL AKTIEN an der TSX für die 20 aufeinanderfolgenden Handelstage, welche dem Handelstag vor dem 3. Juli 2017 unmittelbar vorangehen (umgerechnet von CAD in USD gemäss dem von der Bank of Canada für die Umrechnung von CAD in USD veröffentlichten durchschnittlichen Wechselkurs während dieser 20-tägigen Periode und gerundet auf den nächsten Hundertstel eines Cent)), mit (ii) dem Bruchteil, auf welchen der Aktionär (nach Zusammenzählung aller Bruchteile von FFHL AKTIEN, welche an diesen Aktionär der ÜBERTRAGENDEN GESELLSCHAFT hätten ausgegeben werden müssen) Anspruch hätte.

The Share Consideration shall not include any fractions of FFHL Shares. If, based on the exchange ratio, shareholders of the Transferring Company are entitled to a fraction of a FFHL

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*Share, such fraction shall be compensated in cash. Such cash compensation (the **Compensation for Fractions**), to be rounded to the nearest whole cent, shall be determined by multiplying (i) USD 428.42 (corresponding to the volume weighted average closing price of FFHL Shares on the TSX for the 20 consecutive trading days immediately preceding the trading day before July 3, 2017, converted from CAD to USD using the average Bank of Canada's USD \ CAD exchange rate over such 20-day period and rounded to the nearest one-hundredth of one cent), by (ii) the fractional share interest to which such shareholder (after aggregating all fractional FFHL Shares that would have been issuable to such shareholder of the Transferring Company) would otherwise be entitled.*

Die Abfindung gemäss diesem Artikel 3 wurde von den PARTEIEN festgelegt. Angaben zur Bewertung werden im gemeinsamen Fusionsbericht gemacht.

The Compensation pursuant to this Section 3 was determined by the Parties. Information regarding the valuation is contained in the jointly prepared merger report.

FFH SWITZERLAND verpflichtet sich, sämtlichen Aktionären der ÜBERTRAGENDEN GESELLSCHAFT (mit Ausnahme von FFH SWITZERLAND, der ÜBERNEHMENDEN GESELLSCHAFT, der ÜBERTRAGENDEN GESELLSCHAFT und FFHL, welche keine Abfindung für jegliche von ihnen direkt oder indirekt gehaltenen AW AKTIEN erhalten) die Abfindung gemäss diesem Artikel 3 (unter Einschluss eines allfälligen SPITZENAUSGLEICHES) auszurichten (oder dafür zu sorgen, dass diese ausgerichtet wird), als Entschädigung für das Erlöschen ihrer AW AKTIEN und der damit zusammenhängenden Rechte mit der Wirksamkeit der FUSION. FFH SWITZERLAND, die ÜBERNEHMENDE GESELLSCHAFT, die ÜBERTRAGENDE GESELLSCHAFT und FFHL erhalten für die von ihnen direkt oder indirekt gehaltenen AW AKTIEN im Rahmen der FUSION keine Gegenleistung; ihre AW AKTIEN und die damit zusammenhängenden Rechte erlöschen mit der Wirksamkeit der FUSION.

FFH Switzerland undertakes to pay or cause to be paid the compensation pursuant to this Section 3 (including the Compensation for Fractions, if any) to all shareholders of the Transferring Company (except for FFH Switzerland, the Surviving Company, the Transferring Company and FFHL which shall not receive any compensation for any AW Shares directly or indirectly held by them) as consideration for the extinction of the AW Shares and of the rights associated therewith at the time the Merger becomes effective. FFH Switzerland, the Surviving Company, the Transferring Company and FFHL shall not receive any consideration in connection with the Merger for AW Shares directly or indirectly held by them; the AW Shares held by them and the rights associated therewith will be extinguished at the time the Merger becomes effective.

4. Dividendenberechtigung

Entitlement to Dividends

Die Aktionäre der ÜBERTRAGENDEN GESELLSCHAFT sind in Bezug auf die FFHL AKTIEN ab dem Datum ihres Eintrags in das Aktionärsregister von FFHL dividendenberechtigt.

The shareholders of the Transferring Company shall be entitled to dividends in relation to the FFHL Shares from the date they are registered in the shareholders' register of FFHL.

5. Besondere Vorteile

Special Advantages

Als Folge der FUSION wird keinem Mitglied eines Leitungs-oder Verwaltungsorgans einer PARTEI ein besonderer Vorteil gewährt (Art. 13 Abs. 1 lit. h FUSG).

As a consequence of the Merger, no member of the supreme administrative or management bodies and no managerial member of a Party was granted any special advantage (article 13 (1) (h) Merger Act).

6. Keine Sonderrechte, Anteile ohne Stimmrecht, Genussscheine

No Special Rights, Equity Interests Without Voting Rights, Profit-Sharing Certificates

Es sind im Rahmen der FUSION keine Rechte von Inhabern von Sonderrechten, von Anteilen ohne Stimmrecht oder von Genussscheinen zu beachten.

No rights of holders of special rights, no equity interests without voting rights and no profit-sharing certificates need to be taken into account in connection with the Merger.

7. Keine Gesellschafter mit Unbeschränkter Haftung

No Shareholders or Quotaholders With Unlimited Liability

Bei der FUSION sind keine Gesellschafter mit unbeschränkter Haftung beteiligt.

No shareholders or quotaholders with unlimited liability are involved in the Merger.

8. Bedingungen für den Vollzug der FUSION

Conditions for Consummation of the Merger

8.1. Geschäftsführung der ÜBERNEHMENDEN GESELLSCHAFT

Management Board of Surviving Company

Die für die ÜBERNEHMENDE GESELLSCHAFT handelnden Personen bestätigen hiermit, dass die Geschäftsführung der ÜBERNEHMENDEN GESELLSCHAFT diesem FUSIONSVERTRAG zugestimmt hat.

The individuals acting hereunder on behalf of the Surviving Company herewith confirm that the management board of the Surviving Company has approved this Merger Agreement.

8.2. Verwaltungsrat der ÜBERTRAGENDEN GESELLSCHAFT

Board of Directors of Transferring Company

Die für die ÜBERTRAGENDE GESELLSCHAFT handelnden Personen bestätigen hiermit, dass der Verwaltungsrat der ÜBERTRAGENDEN GESELLSCHAFT diesem FUSIONSVERTRAG zugestimmt hat.

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The individuals acting hereunder on behalf of the Transferring Company herewith confirm that the board of directors of the Transferring Company has approved this Merger Agreement.

8.3. Geschäftsführung der FFH SWITZERLAND

Management Board of FFH Switzerland

Die für FFH SWITZERLAND handelnden Personen bestätigen hiermit, dass die Geschäftsführung von FFH SWITZERLAND zu diesem FUSIONSVERTRAG zugestimmt hat.

The individuals acting hereunder on behalf of FFH Switzerland herewith confirm that the management board of FFH Switzerland has approved this Merger Agreement.

8.4. Generalversammlung der ÜBERTRAGENDEN GESELLSCHAFT

Shareholders Meeting of Transferring Company

Die Zustimmung der Generalversammlung der ÜBERTRAGENDEN GESELLSCHAFT zu diesem FUSIONSVERTRAG ist eine Bedingung dieses FUSIONSVERTRAGES und der hierin vorgesehenen Transaktion. Unter Vorbehalt von Art. 17 Abs. 2 FUSG wird der Verwaltungsrat der ÜBERTRAGENDEN GESELLSCHAFT der Generalversammlung der ÜBERTRAGENDEN GESELLSCHAFT diesen FUSIONSVERTRAG mit Antrag auf Genehmigung zur Beschlussfassung vorlegen. Diese Generalversammlung wird voraussichtlich am 16. August 2017 stattfinden.

The approval of this Merger Agreement by the shareholders meeting of the Transferring Company is a condition to this Merger Agreement and the transaction contemplated hereby. Subject to article 17 (2) Merger Act, the board of directors of the Transferring Company shall submit this Merger Agreement to the shareholders meeting of the Transferring Company with motion to approve. This shareholders meeting will presumably be held on August 16, 2017.

Die FUSION gilt seitens der ÜBERTRAGENDEN GESELLSCHAFT als genehmigt, falls deren Generalversammlung die Genehmigung dieses FUSIONSVERTRAGES mit dem erforderlichen Quorum gemäss Art. 18 Abs. 5 FUSG beschliesst.

The Merger shall be considered to have been approved by the Transferring Company if the shareholders meeting of the Transferring Company resolves to approve the Merger Agreement with the required quorum pursuant to article 18 (5) Merger Act.

8.5. Zustimmung der Gesellschafterin der ÜBERNEHMENDEN GESELLSCHAFT

Approval by Quotaholder of Surviving Company

Die Zustimmung der Gesellschafterin der ÜBERNEHMENDEN GESELLSCHAFT zu diesem FUSIONSVERTRAG ist eine Bedingung dieses FUSIONSVERTRAGES und der hierin vorgesehenen Transaktion. Unter Vorbehalt von Art. 17 Abs. 2 FUSG wird die Geschäftsführung der ÜBERNEHMENDEN GESELLSCHAFT der Gesellschafterin der ÜBERNEHMENDEN GESELLSCHAFT diesen FUSIONSVERTRAG mit Antrag auf Genehmigung zur Beschlussfassung vorlegen. Die Gesellschafterin wird voraussichtlich am 16. August 2017 entscheiden.

The approval of this Merger Agreement by the quotaholder of the Surviving Company is a condition to this Merger Agreement and the transaction contemplated hereby. Subject to

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article 17 (2) Merger Act, the management board of the Surviving Company shall submit this Merger Agreement to the quotaholder of the Surviving Company with motion to approve. The quotaholder will presumably resolve on August 16, 2017.

Die FUSION gilt seitens der ÜBERNEHMENDEN GESELLSCHAFT als genehmigt, falls deren Gesellschafterin die Genehmigung dieses FUSIONSVERTRAGES mit dem erforderlichen Quorum gemäss Art. 18 Abs. 1 lit. c FUSG beschliesst.

The Merger shall be considered to have been approved by the Surviving Company if the quotaholder of the Surviving Company resolves to approve the Merger according to this Merger Agreement with the required quorum pursuant to article 18 (1) (c) Merger Act.

9. Durchführung der FUSION

Implementation of Merger

9.1. Technische Abwicklung der Ausrichtung der Abfindung

Technical Execution of Payment of Compensation

Die BARABFINDUNG, ein allfälliger SPITZENAUSGLEICH und die AKTIENABFINDUNG werden den Aktionären der ÜBERTRAGENDEN GESELLSCHAFT so rasch wie möglich nach dem Vollzug der FUSION ausgerichtet.

The Cash Consideration and the Compensation for Fractions (if any) will be paid, and the Share Consideration will be delivered, to the shareholders of the Transferring Company as soon as practicable following the implementation of the Merger.

Die PARTEIEN bezeichnen Continental Stock Transfer & Trust Company als Exchange Agent (der **EXCHANGE AGENT**) für die Abwicklung der Ausrichtung der Abfindung.

*The Parties appoint Continental Stock Transfer & Trust Company as exchange agent (the **Exchange Agent**) for the execution of the compensation payment.*

9.2. Bezahlung der BARABFINDUNG und des SPITZENAUSGLEICHS

Payment of Cash Consideration and of Compensation for Fractions

Die BARABFINDUNG und ein allfälliger SPITZENAUSGLEICH wird dem jeweiligen Aktionär durch den EXCHANGE AGENT über das System der Depository Trust Company (DTC) zugestellt, die die Barabfindung und einen allfälligen Spitzenausgleich den jeweiligen Aktionären zuteilt, in der Form eines Checks, der an die in den Geschäftsbüchern der ÜBERTRAGENDEN GESELLSCHAFT verzeichnete Adresse zugestellt wird, oder an Aktionäre der ÜBERTRAGENDEN GESELLSCHAFT, welche ihre Aktien als Bucheffekten halten, mittels Banküberweisung ausgerichtet.

Payment of the Cash Consideration and the Compensation for Fractions (if any) shall be made by the Exchange Agent to the respective shareholder through the facilities of the Depository Trust Company (DTC) which will allocate the Cash Consideration and the Compensation for Fractions (if any) to the respective shareholders by way of a check delivered to the address recorded in the books and records of the Transferring Company or by wire transfer to the respective

shareholders of the Transferring Company who are book-entry holders of shares of the Transferring Company.

9.3. Ausrichtung der AKTIENABFINDUNG

Settlement of the Share Consideration

Die Aktionäre der ÜBERTRAGENDEN GESELLSCHAFT werden ihre Aktienabfindung in nicht zertifizierter Form als Bucheffekten erhalten, unabhängig davon, ob sie eingetragene Aktionäre oder Aktionäre sind, welche ihre AW AKTIEN durch einen Finanzintermediär als Bucheffekten halten.

The shareholders of the Transferring Company, whether they are registered shareholders or shareholders who hold their shares via a financial intermediary in book-entry form, shall receive their Share Consideration in uncertificated (book-entry) form.

9.4. Eintragung ins Aktienbuch

Registration in Share Register

FFHL wird alle Aktionäre, welche FFHL AKTIEN gemäss Artikel 3 erhalten haben, ohne weiteres Gesuch als Aktionär mit Stimmrecht im Aktienbuch von FFHL eintragen. Wirtschaftliche Ansprüche an Fairfax Aktien, die in nicht zertifizierter Form über das System der DTC als Verwahrungsstelle für ihre Teilnehmer gehalten werden, werden in Wertrechtekonten lautend auf jene Institutionen eingebucht, die im Auftrag der wirtschaftlich Berechtigten handeln. Jeder wirtschaftlich Berechtigte wird eine Bestätigung erhalten. DTC ist verantwortlich für die Errichtung und Überwachung der Wertrechtekonten der wirtschaftlich Berechtigten von Fairfax Aktien, die über derartige wirtschaftliche Ansprüche verfügen. Diesbezüglich besteht kein Handlungsbedarf auf Seiten der Aktionäre der Übertragenden Gesellschaft, welche die Aktienabfindung erhalten werden.

FFHL shall register all shareholders who have been granted FFHL Shares based on section 3 without further request with all registered shares as shareholder with voting rights in the share register of FFHL. Beneficial interests in Fairfax Shares held in uncertificated form through the facilities of DTC, as custodian for its participants, will be represented through book-entry accounts of institutions acting on behalf of the beneficial owners. Each holder will receive a confirmation. DTC shall be responsible for establishing and monitoring the book-entry accounts for the holders of Fairfax Shares having such beneficial interest. No action on the part of the shareholders of the Transferring Company who will receive the Share Consideration is required in this regard.

9.5. Anmeldung ans Handelsregisteramt

Filing with Commercial Register

Die ÜBERNEHMENDE GESELLSCHAFT und die ÜBERTRAGENDE GESELLSCHAFT werden die FUSION nach erfolgter Zustimmung zum FUSIONSVERTRAG durch die Generalversammlung beziehungsweise die Gesellschafterin durch Einreichung dieses FUSIONSVERTRAGES und der Fusionsbeschlüsse sowie der weiteren erforderlichen Dokumente beim zuständigen Handelsregisteramt zur Eintragung anmelden.

The Surviving Company and the Transferring Company will file the Merger Agreement and the merger resolutions as well as the other required documents for registration of the Merger with the competent Commercial Register upon approval of the Merger Agreement by the shareholders meeting and the quotaholder, as applicable.

10. Verschiedenes

Further Provisions

10.1. Reorganisation

Reorganisation

Die FUSION soll zusammen mit dem vorangegangenen ANGEBOT für U.S. Steuerzwecke als ein Plan of Reorganization qualifizieren, gemäss welchem, für solche Zwecke, das ANGEBOT und die FUSION als eine einzige Transaktion und als Reorganisation im Sinne von Section 368(a)(2)(D) des U.S. Internal Revenue Code von 1986 in der jeweils gültigen Fassung (der CODE) qualifizieren (zu welcher FFH Switzerland, die ÜBERTRAGENDE GESELLSCHAFT, als auch FFHL gemäss Section 368(b) des CODE Partei sein müssen).

The Merger, together with the prior Offer, is intended to constitute a plan of reorganization for U.S. federal income tax purposes pursuant to which, for such purposes, the Offer and the Merger shall be treated as a single integrated transaction and shall be treated as a reorganization under Section 368(a)(2)(D) of the U.S. Internal Revenue Code of 1986, as amended (the Code) (to which each of FFH Switzerland, the Transferring Company and FFHL are to be parties under Section 368(b) of the Code).

Die FUSION soll ferner als ausländische Fusion im Sinne von Subsection 87(8.1) des Income Tax Act (Canada) qualifizieren.

The Merger is further intended to constitute a foreign merger within the meaning of Subsection 87(8.1) of the Income Tax Act (Canada).

10.2. Vertraulichkeit

Confidentiality

Der Inhalt der Fusionsverhandlungen und die in diesem Zusammenhang ausgetauschten Unterlagen und Informationen sind von den PARTEIEN vertraulich zu behandeln. Vorbehalten bleiben gesetzliche Pflichten zur Auskunft, insbesondere gegenüber Behörden und Gerichten oder gemäss den anwendbaren Wertpapiergesetzen der Vereinigten Staaten von Amerika oder Kanada, sowie die gesetzliche Pflicht zur Offenlegung von Dokumenten gemäss den anwendbaren Gesetzesbestimmungen und Regularien.

The Parties shall treat confidential the content of the negotiations of the Merger and the documents and information exchanged in this connection, subject to any legal obligations to provide information, in particular to authorities or courts or as required under applicable securities laws of the United States of America or Canada, as well as subject to any general disclosure obligation in accordance with applicable laws and regulations.

10.3. Mitteilungen

Notices

Alle Mitteilungen gemäss diesem FUSIONSVERTRAG haben schriftlich und durch persönliche Übergabe, Fax oder per Kurier wie folgt zu erfolgen:

All notices to be given in connection with this Merger Agreement shall be in writing and delivered by hand, fax or sent by courier as follows:

ÜBERNEHMENDE GESELLSCHAFT: Fairfax (Switzerland) GmbH, clo LacMont AG,
Surviving Company: Hofstrasse 1A, 6300 Zug, Switzerland

Attention: Geschäftsführer | *Managing Officers*
Fax: 0041 41 729 10 80
Mit Kopie an | *with copy to:*

Fairfax Financial Holdings Limited
Suite 800
95 Wellington Street West
Toronto, Ontario M5J 2N7
Attention: Paul Rivett
Fax: 001 (416) 367-2201
E-mail: PRivett@hwic.ca

und | *and*

Shearman & Sterling LLP
599 Lexington Avenue
New York, NY 10022
Attention: Scott Petepiece and George Karafotias
Fax: 001 (212) 848-7179
E-mail: spetepiece@shearman.com and
gkarafotias@shearman.com

und | *and*

Torys LLP
Suite 3000
79 Wellington Street West
Box 270, Toronto Dominion Centre
Toronto, Ontario M5K 1N2
Attention: David Chaikof and Thomas Yeo
Fax: 001 (416) 865-7380
E-mail: dchaikof@torys.com and tyeo@torys.com

und | *and*

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Homburger AG
Prime Tower
Hardstrasse 201
8005 Zurich, Switzerland
Attention: Daniel Daeniker
Fax: 0041 43 222 15 00
E-mail: daniel.daeniker@homburger.ch

ÜBERTRAGENDE GESELLSCHAFT: Allied World Assurance Company Holdings, AG
Transferring Company: 199 Water Street, 24th Floor
New York, NY 10038
Attention: Wesley D. Dupont
Fax: +1 (646) 794-0613
E-mail: Wesley.Dupont@awac.com

Mit Kopie an | *with copy to:*

Willkie Farr & Gallagher LLP
787 Seventh Avenue
New York, New York 10019
Attention: Steven A. Seidman and Sean M. Ewen, Esq.
Fax: +1 (212) 728-9867
E-mail: sseidman@willkie.com and sewen@willkie.com

and

Baker & McKenzie Zurich
Holbeinstrasse 30
8034 Zurich, Switzerland
Attention: Martin Frey
Fax: 0041 44 384 12 84
E-mail: martin.frey@bakermckenzie.com

FFH SWITZERLAND: Fairfax (Switzerland) GmbH, clo LacMont AG, Hofstrasse 1A, 6300 Zug,
Switzerland

Attention: Geschäftsführer | Managing Officers

Fax: 0041 41 729 10 80

Mit Kopie an | *with copy to:*

Fairfax Financial Holdings Limited
Suite 800
95 Wellington Street West
Toronto, Ontario M5J 2N7
Attention: Paul Rivett
Fax: 001 (416) 367-2201
E-mail: PRivett@hwic.ca

und | *and*

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Shearman & Sterling LLP
599 Lexington Avenue
New York, NY 10022
Attention: Scott Petepiece and George Karafotias
Fax: 001 (212) 848-7179
E-mail: spetepiece@shearman.com and
gkarafotias@shearman.com

und | *and*

Torys LLP
Suite 3000
79 Wellington Street West
Box 270, Toronto Dominion Centre
Toronto, Ontario M5K 1N2
Attention: David Chaikof and Thomas Yeo
Fax: 001 (416) 865-7380
E-mail: dchaikof@torys.com and tyeo@torys.com

und | *and*

Homburger AG
Prime Tower
Hardstrasse 201
8005 Zurich, Switzerland
Attention: Daniel Daeniker
Fax: 0041 43 222 15 00
E-mail: daniel.daeniker@homburger.ch

Für die Einhaltung einer Frist genügt die Absendung der Mitteilung am letzten Tag der Frist.

Any notice to be given hereunder shall be deemed to have been duly given if given on the last day of a term or deadline.

10.4. Keine Abtretung

No Assignment

Einer PARTEI ist es ohne vorgängige schriftliche Zustimmung der jeweils anderen PARTEIEN untersagt, diesen FUSIONSVERTRAG oder Rechte oder Pflichten aus diesem FUSIONSVERTRAG ganz oder teilweise an Dritte abzutreten oder auf Dritte zu übertragen, wobei FFHL die Verpflichtung von FFH SWITZERLAND, die Abfindung gemäss Artikel 3 zu leisten, direkt (und im Namen und auf Rechnung von FFH SWITZERLAND) erfüllen kann. Jegliche (versuchte) Abtretung oder Übertragung in Verletzung dieses Artikels 10.4 gilt als nichtig.

Neither Party shall assign or transfer this Merger Agreement or any of its rights or obligations hereunder, in whole or in part, to any third party without the prior written consent of the other Parties; provided, that FFHL may directly (and in the name and on behalf of FFH Switzerland) satisfy FFH Switzerland's obligation to pay the compensation pursuant to Section 3. Any (attempted) assignment or transfer in violation of this Section 10.4 shall be void.

10.5. Änderungen und Verzicht

Amendments and Waiver

Änderungen und Ergänzungen dieses FUSIONSVERTRAGES bedürfen zu ihrer Gültigkeit der Schriftform sowie des unterschriftlichen Einverständnisses aller PARTEIEN. Der Verzicht einer PARTEI auf eine Bestimmung dieses FUSIONSVERTRAGES oder Rechte gemäss diesem FUSIONSVERTRAG muss schriftlich erfolgen. Eine Änderung der Bestimmungen dieses Artikels 10.5 bedarf ihrerseits zu ihrer Gültigkeit einer schriftlichen Vereinbarung.

This Merger Agreement may only be modified or amended by a document signed by all Parties. Any waiver by a Party of any provision or of any rights under this Merger Agreement shall not be valid unless given in a document signed by such Party. Any changes to the provisions of this Section 10.5 shall also not be valid unless documented in writing.

10.6. Kosten und Steuern

Costs and Taxes

Jede PARTEI trägt ihre eigenen Kosten im Zusammenhang mit dem Entwurf, der Verhandlung, dem Abschluss und dem Vollzug dieses FUSIONSVERTRAGES und dem Vollzug der in diesem FUSIONSVERTRAG vorgesehenen Transaktionen selbst.

Each Party shall bear its own costs in connection with the drafting, negotiation and the execution of this Merger Agreement and the completion of the transactions contemplated in this Merger Agreement.

Im Zusammenhang mit diesem FUSIONSVERTRAG und im Zusammenhang mit den in diesem FUSIONSVERTRAG vorgesehenen Transaktionen erhobene Steuern trägt der jeweilige gesetzliche Schuldner.

Taxes levied in connection with this Merger Agreement or the transactions contemplated hereunder shall be paid by the Party owing such taxes pursuant to applicable law.

10.7. Teilungültigkeit

Severability

Falls eine oder mehrere Bestimmungen dieses FUSIONSVERTRAGES aus irgendeinem Grund ungültig, widerrechtlich oder nicht vollstreckbar sein sollte(n), berührt dies die übrigen Bestimmungen dieses FUSIONSVERTRAGES nicht. In diesem Fall werden sich die PARTEIEN auf (eine) gültige, rechtskonforme und vollstreckbare Bestimmung(en) einigen, die den Absichten der PARTEIEN in Bezug auf die ungültige(n), widerrechtliche(n) oder nicht vollstreckbare(n) Bestimmung(en) möglichst nahe kommt (kommen), und werden die ungültige(n), widerrechtliche(n) oder nicht vollstreckbare(n) Bestimmung(en) durch diese ersetzen.

If any provision of this Merger Agreement shall be held to be invalid, illegal or unenforceable for any reason, such invalidity, illegality or unenforceability shall not affect any of the other provisions of this Merger Agreement. In such a case, the Parties shall negotiate and agree on a substitute provision that best reflects the intentions of the Parties with respect to the invalid, illegal or unenforceable provision, without being invalid, illegal or unenforceable.

10.8. Beendigung

Termination

Die PARTEIEN können bis zur Genehmigung dieses FUSIONSVERTRAGES durch die Gesellschafterin der ÜBERNEHMENDEN GESELLSCHAFT und die Generalversammlung der ÜBERTRAGENDEN GESELLSCHAFT diesen FUSIONSVERTRAG jederzeit durch gegenseitige Übereinkunft aufheben.

The Parties shall be entitled to terminate this Merger Agreement by mutual consent anytime until the approval of this Merger Agreement by the quotaholder of the Surviving Company and the shareholders meeting of the Transferring Company.

Dieser FUSIONSVERTRAG wird automatisch beendet, wenn die Gesellschafterin der ÜBERNEHMENDEN GESELLSCHAFT oder die Generalversammlung der ÜBERTRAGENDEN GESELLSCHAFT diesen FUSIONSVERTRAG nicht genehmigt.

This Merger Agreement shall be automatically terminated if the quotaholder of the Surviving Company or the shareholders meeting of the Transferring Company does not approve this Merger Agreement.

10.9. Anhänge

Annexes

Folgender Anhang bildet einen integrierenden Bestandteil dieses FUSIONSVERTRAGES:

Anhang 2.1: Geprüfte Fusionsbilanz der ÜBERTRAGENDEN GESELLSCHAFT per 31. März 2017.

The following annex shall form an integral part of this Merger Agreement:

Annex 2.1: Audited merger balance sheet of the Transferring Company as of March 31, 2017.

10.10. Anwendbares Recht und Gerichtsstand

Applicable Law and Jurisdiction

Dieser FUSIONSVERTRAG untersteht in allen Teilen schweizerischem materiellem Recht (unter Ausschluss der Bestimmungen des internationalen Privatrechts und der Wiener Konvention über den Internationalen Warenkauf vom 11. April 1980).

This Merger Agreement shall be governed by and construed in accordance with the substantive laws of Switzerland (to the exclusion of the conflict of laws principles and the Vienna Convention on the International Sale of Goods dated April 11, 1980).

Für sämtliche Streitigkeiten aus oder im Zusammenhang mit diesem FUSIONSVERTRAG sind die für die Stadt Zug, Schweiz, zuständigen Gerichte ausschliesslich zuständig.

Any dispute arising out of or in connection with this Merger Agreement shall be exclusively referred to the courts competent for the City of Zug, Switzerland.

11. Gültigkeit und Inkrafttreten des FUSIONSVERTRAGES

Validity and Effectiveness of Merger Agreement

Dieser FUSIONSVERTRAG tritt mit seiner Unterzeichnung in Kraft, untersteht jedoch den Bedingungen gemäss Artikel 8.

This Merger Agreement shall be effective upon signing, is subject, however, to the conditions of Section 8.

12. Vollzug

Consummation

Dieser FUSIONSVERTRAG (und damit die FUSION) gilt als vollzogen, sobald die entsprechenden Handelsregistereintragungen erfolgt sind.

This Merger Agreement (and with it the Merger) shall be considered to have been consummated as soon as the respective registrations in the Commercial Register have been made.

13. Sprache

Language

Im Falle von Widersprüchen zwischen der deutschen und der englischen Version dieses FUSIONSVERTRAGES geht die deutsche Version vor.

In case of discrepancies between the German and the English version in this Merger Agreement, the German version shall prevail.

[UNTERSCHRIFTEN AUF DER NÄCHSTEN SEITE]

[SIGNATURES ON NEXT PAGE]

Unterschriften
Signatures

ÜBERTRAGENDE GESELLSCHAFT

Allied World Assurance Company Holdings, AG
Transferring Company

July 16, 2017

/s/ Wesley D. Dupont

Ort, Datum
Place, Date

Name | *Name*: Wesley D. Dupont
Funktion | *Function*: Executive Vice President & General Counsel

ÜBERNEHMENDE GESELLSCHAFT

Fairfax (Switzerland) GmbH
Surviving Company

July 16, 2017

/s/ Georg Albrecht Langhart

Ort, Datum

Name | *Name*: Georg Albrecht Langhart
Geschäftsführer | *Managing Officer*

July 16, 2017

/s/ Stefan Peter Wehrenberg

Ort, Datum
Place, Date

Name | *Name*: Stefan Peter Wehrenberg
Geschäftsführer | *Managing Officer*

FFH SWITZERLAND

Fairfax Financial Holdings (Switzerland) GmbH

July 16, 2017

/s/ Georg Albrecht Langhart

Ort, Datum
Place, Date

Name | *Name*: /s/ Georg Albrecht Langhart
Geschäftsführer | *Managing Officer*

July 16, 2017

/s/ Stefan Peter Wehrenberg

Ort, Datum
Place, Date

Name | *Name*: Stefan Peter Wehrenberg
Geschäftsführer | *Managing Officer*

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Anhang 2.1 Geprüfte Fusionsbilanz der ÜBERTRAGENDEN GESELLSCHAFT per 31. März 2017
Annex 2.1 Audited merger balance sheet of Transferring Company as of March 31, 2017

[SEPARATES DOKUMENT]

[SEPARATE DOCUMENT]

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ANNEX B

PROSPECTUS

We have included the May 9, 2017 prospectus to satisfy our Schedule 14A disclosure obligations. Note that the discussion under the Proposal 1 heading of this Proxy Statement reflects the most recent information about the status of the merger transaction

B-1

**Offer to Exchange
Each Registered Share of**

**For
Subordinate Voting Shares of Fairfax Financial Holdings Limited and \$23.00 Cash**

**by
Fairfax Financial Holdings (Switzerland) GmbH,
a direct wholly owned subsidiary of 1102952 B.C. Unlimited Liability Company,
a direct wholly owned subsidiary of
Fairfax Financial Holdings Limited**

Fairfax Financial Holdings Limited, a corporation incorporated under the laws of Canada (Fairfax), through Fairfax Financial Holdings (Switzerland) GmbH (FFH Switzerland), a limited liability company incorporated under the laws of Switzerland and a direct wholly owned subsidiary of 1102952 B.C. Unlimited Liability Company (Canada Sub), an unlimited liability company organized under the laws of the province of British Columbia, Canada, and a direct wholly owned subsidiary of Fairfax, is offering to acquire all of the outstanding registered ordinary shares, par value CHF 4.10 per share (the Allied World shares), of Allied World Assurance Company Holdings, AG, a corporation limited by shares incorporated under the laws of Switzerland (Allied World), upon the terms and subject to the conditions set out in this prospectus and in the related letter of transmittal, which terms and conditions are referred to in this prospectus together, as each may be amended or supplemented from time to time, as the Offer.

Pursuant to the Agreement and Plan of Merger, dated December 18, 2016, between Fairfax and Allied World (as amended and supplemented by joinders executed by FFH Switzerland, Fairfax (Switzerland) (as defined below) and Canada Sub, the Merger Agreement), Allied World shareholders are being offered a combination of cash and stock consideration for their Allied World shares. For each Allied World share held, Allied World shareholders are being offered (i) cash consideration of \$23.00, without interest (the Cash Consideration), (ii) fully paid and nonassessable subordinate voting shares of Fairfax (Fairfax shares or subordinate voting shares) having a value of \$14.00 based on the closing price of the Fairfax shares on December 16, 2016, being 0.030392 of a Fairfax share (the Fixed Exchange Stock Consideration) and (iii) additional stock consideration equal to the quotient of (x) \$12.00 and (y) the volume weighted average price of Fairfax shares on the Toronto Stock Exchange (the TSX) for the 20 consecutive trading days immediately preceding the trading day before the date on which FFH Switzerland first accepts tendered Allied World shares for exchange (the Acceptance Time), converted from Canadian dollars to US dollars using the average Bank of Canada USD/CAD exchange rate over such 20-day period, rounded to the nearest one-hundredth of one cent (provided that this volume weighted average price is greater than \$435.65 and less than \$485.65 per Fairfax share) (the Fixed Value Stock Consideration and, together with the Cash Consideration and the Fixed Exchange Stock Consideration, the Offer Consideration). If this volume weighted average price of Fairfax shares during this period is greater than or equal to \$485.65 per Fairfax share, the Fixed Value Stock Consideration will be fixed at an exchange ratio of 0.024709 of a Fairfax share for each Allied World share. If this volume weighted average price of Fairfax shares during this period is less than or equal to \$435.65 per Fairfax share, the Fixed Value Stock Consideration will be fixed at an exchange ratio of 0.027545 of a Fairfax share for each Allied World share.

In addition, Allied World will pay a special cash dividend of \$5.00 per share, without interest, as soon as possible after the Acceptance Time to holders of Allied World shares as of immediately prior to the Acceptance Time, which is being paid outside of the Offer but is conditioned upon completion of the Offer (the Special Dividend). The \$23.00 per share Cash Consideration payable under the Offer, together with the \$5.00 per share Special Dividend, will result in Allied World shareholders being entitled to receive a total of \$28.00 in cash per Allied World share upon completion of the Offer.

If, following completion of the Offer, Fairfax has, directly or indirectly, acquired or controls at least 90 percent of all outstanding Allied World shares (excluding Allied World shares held by Allied World), no actions or proceedings are pending with respect to the exercisability of the voting rights associated with those Allied World shares and no other legal impediment to a squeeze-out merger under Swiss law exists, Fairfax will, indirectly through Fairfax (Switzerland) GmbH, a limited liability company incorporated under the laws of Switzerland (Fairfax (Switzerland)) and a direct wholly owned subsidiary of FFH

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Switzerland, initiate a squeeze-out merger under Swiss law (the Merger and, together with the Offer and the Special Dividend, the Transactions), pursuant to a merger agreement to be entered into by Allied World, FFH Switzerland and Fairfax (Switzerland) (the Swiss Merger Agreement), whereby any remaining Allied World shareholders (except for Allied World, Fairfax, FFH Switzerland and Fairfax (Switzerland), which will not receive any compensation for any Allied World shares directly or indirectly held by them) will receive cash and Fairfax shares equal to the Offer Consideration in exchange for such Allied World shares (the Merger Consideration).

As at May 2, 2017, the latest practicable date prior to the date of this prospectus, the total value of the consideration Allied World shareholders will receive in connection with the Offer and the Special Dividend was \$53.69, comprised of consideration being offered by Fairfax in the Offer of \$48.69, based on the closing price of CAD\$618.14 for the Fairfax shares on the TSX on that date (and assuming the volume weighted average price for the 20-day period prior to the Acceptance Time referenced above is equal to such amount) and an exchange rate of CAD\$1.00 = \$0.7289, as published by the Bank of Canada on that date, and the Special Dividend of \$5.00, which will be paid by Allied World outside of the Offer but is conditioned upon completion of the Offer.

ALLIED WORLD'S BOARD OF DIRECTORS HAS UNANIMOUSLY DETERMINED THAT THE MERGER AGREEMENT AND THE OFFER ARE ADVISABLE AND FAIR TO AND IN THE BEST INTERESTS OF ALLIED WORLD, HAS APPROVED THE MERGER AGREEMENT AND RECOMMENDS THAT ALLIED WORLD SHAREHOLDERS TENDER THEIR ALLIED WORLD SHARES INTO THE OFFER.

The completion of the Offer is subject to certain conditions, including that at least 90 percent of all outstanding Allied World shares (excluding Allied World shares held by Allied World) are tendered in the Offer. Fairfax and FFH Switzerland may not, without the prior written consent of Allied World, amend, modify or waive the minimum tender condition below 90 percent (unless all other conditions to the Offer have been satisfied or, to the extent legally permitted, waived, in which case Fairfax may elect to waive the minimum tender condition down to 66²/₃ percent). A detailed description of the terms and conditions of the Offer appears under The Offer Terms of the Offer and The Offer Conditions to the Offer in this prospectus.

THE OFFER WILL COMMENCE ON MAY 8, 2017. THE OFFER, AND YOUR RIGHT TO WITHDRAW ALLIED WORLD SHARES YOU TENDER IN THE OFFER, WILL EXPIRE AT 11:59 P.M. NEW YORK CITY TIME ON JUNE 30, 2017, UNLESS THE EXPIRATION TIME OF THE OFFER IS EXTENDED. SHARES TENDERED PURSUANT TO THE OFFER MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION OF THE OFFER, BUT NOT DURING ANY SUBSEQUENT OFFERING PERIOD.

The Allied World shares are listed on the New York Stock Exchange (the NYSE). The Fairfax shares are listed on the TSX. The TSX has conditionally approved for listing the Fairfax shares to be issued as partial consideration to Allied World shareholders. Listing will be subject to Fairfax satisfying customary listing conditions of the TSX.

FOR A DISCUSSION OF RISK FACTORS THAT YOU SHOULD CAREFULLY CONSIDER IN EVALUATING THE OFFER AND THE OTHER TRANSACTIONS, SEE RISK FACTORS BEGINNING ON PAGE 42 OF THIS PROSPECTUS.

THIS PROSPECTUS CONTAINS DETAILED INFORMATION CONCERNING THE OFFER FOR ALLIED WORLD SHARES AND THE PROPOSED ACQUISITION OF ALLIED WORLD. FAIRFAX RECOMMENDS THAT YOU READ THIS PROSPECTUS CAREFULLY.

THIS PROSPECTUS IS NOT AN OFFER TO SELL SECURITIES AND IS NOT A SOLICITATION OF AN OFFER TO BUY SECURITIES, NOR SHALL THERE BE ANY SALE OR PURCHASE OF SECURITIES PURSUANT HERETO, IN ANY JURISDICTION IN WHICH SUCH OFFER, SALE OR SOLICITATION IS NOT PERMITTED OR WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE LAWS OF ANY SUCH JURISDICTION.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES TO BE ISSUED IN CONNECTION WITH THE OFFER OR THE OTHER TRANSACTIONS OR HAS PASSED UPON THE ADEQUACY OR ACCURACY OF THE DISCLOSURE IN THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

The date of this prospectus is May 9, 2017.

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IMPORTANT INFORMATION

This prospectus is not an offer to sell securities and is not a solicitation of an offer to buy securities, nor shall there be any sale or purchase of securities pursuant hereto, in any jurisdiction in which such offer, solicitation or sale is not permitted or would be unlawful prior to registration or qualification under the laws of any such jurisdiction. If you are in any doubt as to your eligibility to participate in the Offer, you should contact your professional advisor immediately.

ABOUT THIS DOCUMENT

This document, which forms part of a registration statement on Form F-4 filed with the Securities and Exchange Commission (the "SEC") by Fairfax, constitutes a prospectus of Fairfax under Section 5 of the Securities Act of 1933, as amended (the "Securities Act"), with respect to the Fairfax shares to be delivered to Allied World shareholders pursuant to the Transactions.

Fairfax and Allied World have not authorized anyone to give information or make any representations about the Transactions, Fairfax or Allied World that is different from, or in addition to, that contained in this prospectus or in any of the materials incorporated by reference in this prospectus. Fairfax and Allied World take no responsibility for, and can provide no assurance as to the reliability of, any information that others may give you.

The information contained or incorporated in this prospectus is accurate only as of the date of this prospectus or the applicable incorporated document unless the information specifically indicates that another date applies, and neither the mailing of this prospectus to shareholders nor the issue of Fairfax shares in the Offer should create any implication to the contrary.

Incorporation of Certain Information by Reference

The SEC allows Fairfax to incorporate by reference into this prospectus the following documents and all annual reports on Form 40-F and all current reports on Form 6-K that Fairfax subsequently files with the SEC and all annual reports on Form 10-K, all quarterly reports on Form 10-Q and all current reports on Form 8-K that Allied World subsequently files with the SEC (other than, in each case, documents or information deemed to have been furnished and not filed in accordance with the SEC rules) pursuant to Section 13(a), 13(c) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), until the completion of the Transactions:

Fairfax's Annual Report on Form 40-F for the fiscal year ended December 31, 2016, filed on March 13, 2017;

Fairfax's Reports on Form 6-K furnished on March 15, 2017, March 27, 2017 and April 28, 2017 (except Exhibit 99.1);

Allied World's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed on February 28, 2017 and as amended on April 27, 2017;

Allied World's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, filed on April 26, 2017; and

Allied World's Current Reports on Form 8-K filed on January 19, 2017, February 1, 2017 (Acc. No: 0001104659-17-005513), March 3, 2017, March 10, 2017 and March 22, 2017.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so

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modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

Fairfax will provide without charge to each person, including any beneficial owner, to whom this prospectus is delivered, upon his or her written or oral request, a copy of any or all documents referred to above which have been or may be incorporated by reference into this prospectus, excluding exhibits to those documents unless they are specifically incorporated by reference into those documents. You may obtain copies of those documents by sending your request in writing to Fairfax at the following address: Fairfax Financial Holdings Limited, 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada, M5J 2N7 or by telephoning Fairfax at 1 (416) 367-4941, and to Allied World at the following address: Allied World Assurance Company Holdings, AG, Gubelstrasse 24, Park Tower, 15th Floor, 6300 Zug, Switzerland or by telephoning Allied World at +41 41 768 1080.

In order to receive timely delivery of these documents, Allied World shareholders must make such a request no later than five U.S. business days before the then-scheduled Expiration Time of the Offer. The Expiration Time of the Offer is currently 11:59 p.m., New York City time on June 30, 2017, but the actual deadline may change if the Offer is extended.

CURRENCIES

In this prospectus, unless otherwise specified or the context otherwise requires:

CHF and Swiss Franc each refer to the lawful currency of the Swiss Confederation;

CAD\$ and Canadian dollar each refer to the Canadian dollar; and

\$ and US dollar each refer to the US dollar.

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HELPFUL INFORMATION

Certain Defined Terms

Unless otherwise specified or if the context so requires, in this prospectus:

Acceptance Time refers to the date on which FFH Switzerland first accepts tendered Allied World shares for exchange.

Allied World refers to Allied World Assurance Company Holdings, AG, a corporation limited by shares incorporated under the laws of Switzerland.

Allied World shares refers to the registered ordinary shares of Allied World, par value CHF 4.10.

Articles Amendment refers to the amendment of Allied World's articles of association to permit a holder of 10 percent or more of the Allied World shares to register its Allied World shares on Allied World's shareholder register with full voting rights for all shares held by such holder (or any of its affiliates or controlled persons as defined in Article 14 of Allied World's articles of association).

Board Modification refers to the election by Allied World shareholders of the individuals designated by Fairfax to the board of directors of Allied World in accordance with the terms of the Merger Agreement.

business day means any day other than a Saturday, Sunday or other day on which the banking institutions in New York, Toronto or the canton of Zug, Switzerland are obligated by law or executive order to be closed.

Canada Sub refers to 1102952 B.C. Unlimited Liability Company, an unlimited liability company incorporated under the laws of the province of British Columbia, Canada, and a directly wholly owned subsidiary of Fairfax.

Cash Consideration refers to the \$23.00 in cash, without interest, being offered for each Allied World share.

Cash Election refers to Fairfax's option to increase on a dollar-for-dollar basis the amount of Cash Consideration from \$5.00 to an amount not to exceed \$35.00, which will correspondingly serve to reduce the Fixed Value Stock Consideration. On March 10, 2017, Fairfax exercised the Cash Election and increased the Cash Consideration to \$23.00.

Expiration Time refers to the time the Offer will expire, currently expected to be 11:59 p.m., New York City time, on June 30, 2017, unless extended.

Fairfax refers to Fairfax Financial Holdings Limited, a corporation incorporated under the laws of Canada.

Fairfax Group refers to Fairfax together with its subsidiaries, which, for the avoidance of doubt, will include Allied World upon completion of the Offer.

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Fairfax shares and subordinate voting shares refer to the fully paid and nonassessable subordinate voting shares of Fairfax.

Fairfax (Switzerland) refers to Fairfax (Switzerland) GmbH, a limited liability company incorporated under the laws of Switzerland and a direct wholly owned subsidiary of FFH Switzerland and an indirect wholly owned subsidiary of Fairfax.

Edgar Filing: Allied World Assurance Co Holdings, AG - Form DEFM14A

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FFH Switzerland refers to Fairfax Financial Holdings (Switzerland) GmbH, a limited liability company incorporated under the laws of Switzerland and an indirect wholly owned subsidiary of Fairfax.

Fixed Exchange Stock Consideration means the portion of the stock consideration in Fairfax shares having a value of \$14.00 based on the closing price of Fairfax shares as of December 16, 2016, payable at a fixed exchange ratio of 0.030392, being offered to shareholders of Allied World for each Allied World share held.

Fixed Value Stock Consideration means the portion of the stock consideration in Fairfax shares equal to the quotient of (x) \$12.00 and (y) the volume weighted average price of Fairfax shares on the TSX for the 20 consecutive trading days immediately preceding the trading day before the Acceptance Time, converted from Canadian dollars to US dollars using the average Bank of Canada USD/CAD exchange rate over such 20-day period, rounded to the nearest one-hundredth of one cent (provided that this volume weighted average price is greater than \$435.65 and less than \$485.65 per Fairfax share). If this volume weighted average price of Fairfax shares during this period is greater than or equal to \$485.65 per Fairfax share, the Fixed Value Stock Consideration will be fixed at an exchange ratio of 0.024709 of a Fairfax share for each Allied World share. If this volume weighted average price of Fairfax shares during this period is less than or equal to \$435.65 per Fairfax share, the Fixed Value Stock Consideration will be fixed at an exchange ratio of 0.027545 of a Fairfax share for each Allied World share.

IFRS refers to International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Merger refers to the squeeze-out merger under Swiss law to be consummated by Fairfax, through Fairfax (Switzerland), following the completion of the Offer, pursuant to the Swiss Merger Agreement.

Merger Agreement refers to the Agreement and Plan of Merger by and between Fairfax and Allied World, dated December 18, 2016, as the same may be amended from time to time.

Merger Consideration refers to an amount in cash and Fairfax shares equal to the Offer Consideration.

Minimum Tender Condition refers to the condition to the completion of the Offer that there will have been validly tendered in accordance with the terms of the Offer (other than Allied World shares tendered by guaranteed delivery where actual delivery has not occurred), prior to the Expiration Time (as it may be extended pursuant to the terms of the Merger Agreement) and not withdrawn, a number of Allied World shares that, together with any Allied World shares then directly or indirectly owned by Fairfax, FFH Switzerland or Fairfax (Switzerland), represents at least 90 percent of all outstanding Allied World shares (excluding Allied World shares held by Allied World).

Offer refers to the exchange offer to acquire all of the outstanding Allied World shares pursuant to the Merger Agreement and on the terms and conditions set out in this prospectus.

Offer Consideration refers to, collectively: (i) the Cash Consideration; (ii) the Fixed Exchange Stock Consideration; and (iii) the Fixed Value Stock Consideration.

Special Dividend refers to a special cash dividend of \$5.00 per share, without interest, to be paid by Allied World as soon as possible after the Acceptance Time to holders of Allied World shares as of immediately prior to the Acceptance Time, and which is being paid outside of the Offer but is conditioned upon completion of the Offer.

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Swiss Merger Agreement refers to the merger agreement to be entered into by Allied World, FFH Switzerland and Fairfax (Switzerland) giving effect (subject to registration with the competent commercial register) to and governing the Merger.

Transactions refers, collectively, to the Offer, the Merger and the Special Dividend.

US GAAP refers to those accounting principles generally accepted in the United States.

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QUESTIONS AND ANSWERS ABOUT THE OFFER

*The following are some of the questions that you, as an Allied World shareholder, may have regarding the Offer along with answers to those questions. These questions and answers, as well as the following summary, are not meant to be a substitute for the information contained or incorporated by reference in the remainder of this prospectus or the annexes to this prospectus, and this information is qualified in its entirety by the more detailed descriptions and explanations contained therein. **Fairfax urges you to carefully read this prospectus, including any documents incorporated by references, and its annexes in their entirety prior to making any decision as whether to tender your Allied World shares in the Offer.***

Q. Who is making the Offer?

A. Fairfax is making the Offer to purchase all of the outstanding Allied World shares through its indirect wholly owned subsidiary, FFH Switzerland, which in turn is wholly owned by Fairfax's direct wholly owned subsidiary, Canada Sub. Pursuant to the Merger Agreement, Fairfax has agreed to cause all members of its group, including FFH Switzerland and Canada Sub, to comply with all of Fairfax's obligations in connection with the Offer.

Q. Who is Fairfax?

A. Fairfax is a holding company which, through its subsidiaries (Fairfax together with its subsidiaries, the Fairfax Group, which, for the avoidance of doubt, will include Allied World upon completion of the Offer), is engaged in property and casualty insurance and reinsurance and investment management. Fairfax's registered and head office is located at 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada, M5J 2N7. As at December 31, 2016, Fairfax had 34 employees at the holding company and its subsidiaries had in aggregate approximately 31,000 full-time employees.

Q. Who is FFH Switzerland?

A. FFH Switzerland is an indirect wholly owned subsidiary of Fairfax. All quotas of FFH Switzerland are owned by Canada Sub, which is a direct wholly owned subsidiary of Fairfax. FFH Switzerland's registered office is located at c/o LacMont AG, Hofstrasse 1a, 6300 Zug, Switzerland. FFH Switzerland was formed for the purpose of the Transactions and has not conducted, and does not expect to conduct, any business other than in connection with its organization and the consummation of the Transactions.

Q. Who is Fairfax (Switzerland)?

A. Fairfax (Switzerland) is an indirect wholly owned subsidiary of Fairfax. All quotas of Fairfax (Switzerland) are owned by FFH Switzerland. Fairfax (Switzerland)'s registered office is located at c/o LacMont AG, Hofstrasse 1a, 6300 Zug, Switzerland. Fairfax (Switzerland) was formed for the purpose of the Transactions and has not conducted, and does not expect to conduct, any business other than in connection with its organization and the consummation of the Transactions.

Q. Who is Canada Sub?

A. Canada Sub is a direct wholly owned subsidiary of Fairfax. All shares of Canada Sub are owned by Fairfax. Canada Sub's registered office is located at 1600-925 West Georgia Street, Vancouver, British Columbia, Canada. Canada Sub was formed for the purpose of the Transactions and has not conducted, and does not expect to conduct, any business other than in connection with its organization and the consummation of the Transactions.

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Q. Why is Fairfax seeking to acquire all of the outstanding Allied World shares?

A. Fairfax, through FFH Switzerland, is offering to acquire all of the outstanding Allied World shares in order to acquire 100 percent of the issued share capital of Allied World. Fairfax believes that Allied World's growing international reach is highly complementary to Fairfax's existing worldwide operations, and that the Transactions will provide a number of strategic opportunities, including diversification of the Fairfax Group's risk portfolio.

Q. What consideration is being offered for my Allied World shares?

A. Allied World shareholders are being offered a combination of cash and stock consideration for their Allied World shares. For each Allied World share held, Allied World shareholders are being offered (i) cash consideration of \$23.00, without interest (the Cash Consideration), (ii) Fairfax shares having a value of \$14.00 based on the closing price of the Fairfax shares on December 16, 2016, being 0.030392 of a Fairfax share (the Fixed Exchange Stock Consideration) and (iii) additional stock consideration equal to the quotient of (x) \$12.00 and (y) the volume weighted average price of Fairfax shares on the TSX for the 20 consecutive trading days immediately preceding the trading day before the date on which FFH Switzerland first accepts tendered Allied World shares for exchange (the Acceptance Time), converted from Canadian dollars to US dollars using the average Bank of Canada USD/CAD exchange rate over such 20-day period, rounded to the nearest one-hundredth of one cent (provided that this volume weighted average price is greater than \$435.65 and less than \$485.65 per Fairfax share) (the Fixed Value Stock Consideration) and, together with the Cash Consideration and the Fixed Exchange Stock Consideration, the Offer Consideration). If this volume weighted average price of Fairfax shares during this period is greater than or equal to \$485.65 per Fairfax share, the Fixed Value Stock Consideration will be fixed at an exchange ratio of 0.024709 of a Fairfax share for each Allied World share. If this volume weighted average price of Fairfax shares during this period is less than or equal to \$435.65 per Fairfax share, the Fixed Value Stock Consideration will be fixed at an exchange ratio of 0.027545 of a Fairfax share for each Allied World share.

In addition, Allied World will pay a special cash dividend of \$5.00 per share, without interest, as soon as possible after the Acceptance Time to holders of Allied World shares as of immediately prior to the Acceptance Time, which is being paid outside of the Offer but is conditioned upon completion of the Offer (the Special Dividend). The \$23.00 per share Cash Consideration payable under the Offer, together with the \$5.00 per share Special Dividend, will result in Allied World shareholders being entitled to receive a total of \$28.00 in cash per Allied World share upon completion of the Offer.

The aggregate consideration of \$54.00 per Allied World share, based on the closing price per Fairfax share of CAD\$614.45 on December 16, 2016 on the TSX, represented a premium of 18 percent to the closing price of \$45.77 per Allied World share on December 16, 2016, being the last business day preceding the announcement of the Offer.

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Q. What will I receive if I accept the Offer?

A. Allied World shareholders who validly tender and do not withdraw their Allied World shares prior to the Expiration Time (as defined below), or during any Subsequent Offering Period (as defined below), will receive the Offer Consideration plus the Special Dividend.

The exchange ratio in relation to the Fixed Value Stock Consideration portion of the Offer Consideration is not fixed, and may fluctuate depending on the market price of Fairfax shares and the currency exchange rate. Therefore, the number of Fairfax shares that holders of Allied World shares will receive upon completion of the Offer will depend on the market value of the Fairfax shares and the exchange rate of Canadian dollars to US dollars for the 20 consecutive trading days immediately preceding the trading day before the Acceptance Time. Promptly following the closing of the TSX two trading days immediately preceding the Acceptance Time, the exchange ratio for the Fixed Value Stock Consideration will be determined, and Fairfax will issue a press release stating this exchange ratio and the total number of Fairfax shares to be issued to holders of Allied World shares who validly tender and do not withdraw their Allied World shares pursuant to the Offer.

Q. How will the Cash Consideration component of the Offer Consideration be financed?

A. The Cash Consideration component of the Offer Consideration (approximately \$2.0 billion) will be financed through Fairfax's existing cash resources, the cash proceeds from the potential sale of non-core businesses that Fairfax has no ability to control long-term (which Fairfax expects would include the sale of minority equity, joint venture and/or partnership interests of less than 35% in publicly listed or privately owned businesses held within the Fairfax Group) and the indirect sale of approximately 33% of the Allied World shares to OMERS, the pension plan for Ontario's municipal employees, Alberta Investment Management Corporation, CN Canadian Master Trust Fund and Lake Merritt LLC (collectively, the Co-Investors), none of which Co-Investors are affiliates of Fairfax. The Co-Investors will receive, as promptly as possible following the closing of the Offer, equity interests in FFH Switzerland, which will continue as the direct parent of Allied World following the successful completion of the Transactions.

The obligations of the Co-Investors to fund the portion of the Cash Consideration described above are subject only to customary conditions, being satisfaction or waiver (to the extent permitted under the Merger Agreement) of the conditions to the Transaction, the absence of any governmental order or law restraining, prohibiting or making illegal such funding, the accuracy of certain representations and warranties and compliance with covenants of Fairfax, and delivery of customary closing documentation.

Q. What are the most significant conditions to the Offer?

A. The Offer is subject to a number of conditions, including there being validly tendered in accordance with the terms of the Offer prior to the Expiration Time, a number of Allied World shares (that have not been validly withdrawn) that, together with any Allied World shares then directly or indirectly owned by Fairfax, FFH Switzerland and Fairfax (Switzerland), represents at least 90 percent or more of all outstanding Allied World shares (excluding Allied World shares held by Allied World) (which we refer to as the Minimum Tender Condition), antitrust and other regulatory approvals having been obtained, the conditional approval for listing on the TSX of the new Fairfax shares to be issued in the Transactions (which has been obtained), the Articles Amendment and the Board Modification having been effected and the Special Dividend having been approved and declared by Allied World's shareholders. At a special meeting of Allied World shareholders held on March 22, 2017, Allied World shareholders approved the Articles Amendment and the Special Dividend.

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Fairfax reserves the right to waive, in whole or in part, subject to certain exceptions, any condition to the Offer. Fairfax may waive the Minimum Tender Condition down to $66\frac{2}{3}$ percent of all outstanding Allied World shares (excluding Allied World shares held by Allied World) only if the other conditions to the Offer have been satisfied or (if permitted under the Merger Agreement) waived. If Fairfax waives the Minimum Tender Condition down to $66\frac{2}{3}\%$, or waives another condition of the Offer, Fairfax will extend the Offer, if required by applicable law, for a period sufficient to allow you to consider the amended terms of the Offer (typically no less than five business days). Fairfax will comply with Rule 14d-4(d)(2) under the Exchange Act in connection with material changes to the terms of the Offer.

The Offer is not subject to any financing condition.

See The Offer Conditions to the Offer for additional information.

Q.

Is Fairfax's financial condition relevant to my decision to tender into the Offer?

A.

Yes. Allied World's shares validly tendered and accepted for payment in the Offer will be exchanged for cash and Fairfax shares. You should consider Fairfax's financial condition before you decide to become a holder of Fairfax's shares by tendering your Allied World shares in the Offer.

Q.

Does Fairfax's board of directors support the Offer?

A.

Yes. Fairfax's board of directors has unanimously:

determined that it is in the best interests of Fairfax to enter into the Merger Agreement and consummate the Transactions, including the issuance of Fairfax shares in the Transactions; and

approved the Merger Agreement and authorized and approved the issuance of Fairfax shares in the Transactions.

Q.

Does Allied World's board of directors support the Offer?

A.

Yes. Allied World's board of directors has unanimously:

approved the Merger Agreement and authorized and approved the Offer and the Special Dividend; and

determined that the form, terms and provisions of the Merger Agreement, the performance by Allied World of its obligations thereunder and the consummation by Allied World of the transactions contemplated thereby, including the Merger, are advisable and fair to and in the best interests of Allied World.

Allied World's board of directors has also unanimously (subject to its ability to effect a recommendation withdrawal in accordance with the terms of the Merger Agreement):

resolved to recommend that the shareholders of Allied World approve the Articles Amendment, the Board Modification (unless waived by Fairfax), the Special Dividend and the forgoing of the \$0.26 quarterly dividend payable in the first quarter of 2017;

resolved to recommend that the shareholders of Allied World accept the Offer and tender their Allied World shares into the Offer; and

resolved to recommend that the shareholders of Allied World approve the Merger.

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Q. Can the interests of the Allied World directors and executive officers differ from Allied World shareholders generally?

A. Yes. Allied World's directors and executive officers may have interests in the Offer and the other Transactions that are different from, or in addition to, those of Allied World's shareholders generally. These interests include, among others, certain directors or executive officers continuing as managing officers of Fairfax (Switzerland) following the closing of the Transactions; continued indemnification and insurance for directors and executive officers with respect to claims arising out of or from services provided to Allied World; accelerated vesting of certain Allied World restricted share units (Allied World RSUs) and performance-based restricted share units (Allied World PRSUs), and payments to executive officers upon the closing of the Transactions pursuant to the Allied World Assurance Company (U.S.) Inc. Second Amended and Restated Supplemental Executive Retirement Plan (the SERP) or continuation of compensation and benefits for a predetermined notice period in accordance with the terms of their existing employment agreements in the event a notice of termination is delivered by Allied World (or Fairfax) following the closing of the Transactions.

For a discussion of Allied World's directors' and executive officers' interests in the Transactions that may differ from and be in addition to your interests as a shareholder, see the section Interests of Allied World, FFH Switzerland and Fairfax and their Directors and Officers.

Q. Will Allied World's directors and executive officers participate in the Offer?

A. Yes. The directors and executive officers of Allied World, who control approximately 3.0 percent of the outstanding Allied World shares, entered into a voting agreement with Fairfax and Allied World, dated December 18, 2016, pursuant to which they have agreed to tender their Allied World shares in the Offer (the Allied World Shareholder Voting Agreement). Pursuant to the Allied World Shareholder Voting Agreement, the directors and executive officers of Allied World also agreed to irrevocably grant and appoint Fairfax, and any designee of Fairfax, as their proxy to vote their Allied World shares in favor of the Articles Amendment, Board Modification (unless waived by Fairfax) and the Special Dividend at one or more meetings of the Allied World shareholders called for such purpose.

Q. What will happen to my outstanding Allied World Stock-Based Awards in the Offer?

A. The Offer does not extend to Allied World stock options (Allied World Options) or other stock-based awards.

Treatment of Allied World Options at the Acceptance Time

At the Acceptance Time, each Allied World Option granted by Allied World under any Allied World share option or other equity-related award plan, agreement or program (collectively, the Allied World Share Plans) that is outstanding and unexercised immediately before or as of the Acceptance Time, whether or not exercisable and whether or not vested, will be cancelled and automatically converted into the right to receive an amount in cash equal to the product of the excess, if any, of the sum obtained by adding the cash consideration in the Offer, the Special Dividend and an amount in cash equal to the product obtained by multiplying the number of Fairfax shares issuable as stock consideration in the Offer and the volume weighted average price per Fairfax share on the TSX for the 20 consecutive trading days immediately preceding the trading day before the Acceptance Time, converted into US dollars using the average Bank of Canada USD/CAD exchange rate over such 20-day period (the Equity Award Consideration) over the exercise price per share of Allied World shares subject to such Allied World Option and the total number of Allied World shares subject to such Allied World Option. For each Allied

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World Option, if the applicable exercise price per share of Allied World shares equals or exceeds the Equity Award Consideration, such Allied World Option will be cancelled without payment of any consideration, and all rights with respect to such Allied World Option will terminate as of the Acceptance Time.

Treatment of Allied World RSUs and Other Stock-Based Awards at the Acceptance Time

At the Acceptance Time, each Allied World restricted share and each Allied World RSU granted by Allied World under an Allied World Share Plan (each an Allied World Restricted Award) and each award of any kind granted, held, outstanding or payable under the Allied World Share Plans, other than Allied World Options and Allied World Restricted Awards (each an Other Allied World Award) subject to time vesting conditions will, without any further action on the part of the holder, become fully vested immediately prior to the Acceptance Time. Each Allied World Restricted Award and each Other Allied World Award subject to performance vesting conditions (each, a Performance Award) will, without any further action on the part of the holder, become fully vested immediately prior to the Acceptance Time, subject to the following rules: for each Performance Award for which the applicable performance period is completed as of immediately prior to the Acceptance Time, the number of Performance Awards that will vest as of immediately prior to the Acceptance Time shall be based on actual performance; and for each Performance Award for which the applicable performance period is not completed as of immediately prior to the Acceptance Time, notwithstanding anything to the contrary in any agreement, plan or arrangement covering such Performance Award, the number of Performance Awards that will vest as of immediately prior to the Acceptance Time will be based on the target of the applicable Performance Award (as reasonably determined by the compensation committee of the Allied World board of directors prior to the Acceptance Time). Each Performance Award that does not vest under the circumstances set out in the previous sentence will be cancelled and terminated without consideration immediately prior to the Acceptance Time.

Each Allied World Restricted Award and Other Allied World Award that vests in accordance with the Merger Agreement will, without any further action on the part of the holder, be cancelled as of the Acceptance Time and automatically converted into the right to receive an amount in cash equal to the product obtained by multiplying the Equity Award Consideration and the total number of Allied World shares subject to such Allied World Restricted Award or Other Allied World Award, as applicable, or, to the extent that an Other Allied World Award is denominated in cash, rather than in Allied World shares, the cash amount payable pursuant to such Other Allied World Award, as determined in accordance with the Merger Agreement.

Allied World Employee Stock Purchase Plan

Prior to the Acceptance Time, subsequent offering periods under Allied World's employee stock purchase plan (Allied World ESPP) will be suspended and terminated following the Acceptance Time. Allied World shares purchased under the Allied World ESPP will be treated as Allied World shares for all purposes of the Merger Agreement, including with respect to the Offer.

Fairfax or one of its subsidiaries will pay to holders of Allied World Options, Allied World Restricted Awards and Other Allied World Awards the cash amounts due, less such amounts required to be withheld or deducted under the U.S. Internal Revenue Code of 1986, as amended (the Code) or any provision of state, local or foreign law with respect to the vesting of the award or making of such payment, on the first payroll date following the Acceptance Time. To the extent amounts are withheld or deducted, such withheld amounts will be treated for the purposes of the Merger Agreement as having been paid to the holders of Allied World Options, Allied World Restricted Awards and Other Allied World Awards in respect of which such deducting and withholding was made.

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Q. How do I accept the Offer?

A. Allied World shareholders whose shares are registered in the share register of Allied World, referred to as registered holders, must return a properly completed and duly executed letter of transmittal. If you hold your Allied World shares through a financial intermediary, broker, dealer, commercial bank, trust company or other entity, you should instruct your financial intermediary, broker, dealer, commercial bank, trust company or other entity through which you hold your Allied World shares to tender your Allied World shares to the exchange agent by means of delivery through the book-entry confirmation facilities of The Depository Trust Company (DTC), before the expiration of the Offer.

Q. When does the Offer expire, and under what circumstances will the Offer be extended?

A. The Offer will expire at 11:59 p.m., New York City time, on June 30, 2017 (the Expiration Time), unless the Offer is extended in accordance with U.S. tender offer rules and the terms of the Merger Agreement, as set out herein.

If one or more conditions to the Offer set out in the Merger Agreement and described in this prospectus under The Offer Conditions to the Offer is not satisfied or, to the extent permitted under the Merger Agreement, waived, FFH Switzerland will extend the period of time for which the Offer is open for successive periods of 10 business days each or such other number of business days as Fairfax and Allied World may agree in order to permit the satisfaction of the conditions to the Offer, until all the conditions set out in The Offer Conditions to the Offer have been satisfied or waived, provided that neither Fairfax nor FFH Switzerland will be required to extend the Offer beyond August 18, 2017, except in limited circumstances, as provided for in the Merger Agreement.

FFH Switzerland will extend the Offer for any period required by any rule, regulation, interpretation or position of the SEC or its staff or the NYSE applicable to the Offer or any period required by law.

In the event that the Offer is extended for any reason, the Offer will remain open for acceptance until the expiration of the relevant extension period. Any extension of the Offer period will be announced by Fairfax and/or FFH Switzerland by the issuance of a press release by no later than 9:00 a.m. New York City time on the next U.S. business day following the previously scheduled Expiration Time.

During any extension, any Allied World shares validly tendered and not properly withdrawn will remain subject to purchase in the Offer, subject to the right of each Allied World shareholder to withdraw the Allied World shares that such holder has previously tendered. See How do I withdraw previously tendered Allied World shares below.

Q. Will there be a subsequent offering period?

A. Pursuant to the Merger Agreement, following the expiration of the Offer, FFH Switzerland may elect to provide one or more subsequent offering periods (each, a Subsequent Offering Period) in accordance with U.S. tender offer rules and other applicable law. If FFH Switzerland elects to provide for a Subsequent Offering Period, the Subsequent Offering Period will be conducted on the same terms as the Offer, but the Allied World shares properly tendered during the Subsequent Offering Period will not be permitted to be withdrawn and will be accepted without any minimum tender condition.

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Q. How will I know if the Offer is extended?

A. Fairfax and/or FFH Switzerland will announce any extension of the Offer by issuing a press release by no later than 9:00 a.m. New York City time on the next U.S. business day following the previously scheduled Expiration Time.

Subject to the requirements of the U.S. tender offer rules (including U.S. tender offer rules that require that any material changes to an Offer be promptly disseminated to shareholders in a manner reasonably designed to inform them of such change) and without limiting the manner in which Fairfax and/or FFH Switzerland may choose to make any public announcement, it will have no obligation to communicate any public announcement other than as described above.

Q. When will I be notified of the results of the Offer?

A. Unless the Offer period is extended, Fairfax and/or FFH Switzerland will make a public announcement no later than 9:00 a.m. New York City time on the next U.S. business day following the previously scheduled Expiration Time, stating whether (i) the conditions to the Offer have been satisfied or waived or (ii) the Offer is terminated, as a result of any of the conditions to the Offer not having been satisfied or waived.

In accordance with the U.S. tender offer rules, any extension of the Offer period will be announced by no later than 9:00 a.m. New York City time on the next U.S. business day after the previously scheduled Expiration Time. Fairfax and/or FFH Switzerland will announce the final results of the Offer, including whether all of the conditions to the Offer have been satisfied or waived and whether Fairfax will cause FFH Switzerland to accept the tendered Allied World shares for exchange, as promptly as practicable following the scheduled Expiration Time.

Q. If I do not tender my Allied World shares prior to the Expiration Time, will I have another opportunity to tender my Allied World shares into the Offer?

A. No. Upon the expiration of the Offer, including any extension thereof, Fairfax will cause FFH Switzerland to accept for exchange and will exchange all Allied World shares validly tendered and not properly withdrawn pursuant to the terms of the Offer. Pursuant to the Merger Agreement, following the expiration of the Offer, FFH Switzerland may elect to provide one or more Subsequent Offering Periods in accordance with U.S. tender offer rules and other applicable law. However, there is no guarantee that FFH Switzerland will elect to provide a Subsequent Offering Period. **Therefore, Allied World shareholders who wish to tender their Allied World shares into the Offer and receive the Offer Consideration must tender their Allied World shares prior to the Expiration Time.** Following the completion of the Offer, any remaining, non-tendering Allied World shareholder will be a minority shareholder of Allied World. See [If I decide not to tender, what will happen to my Allied World shares?](#) below and [Risk Factors Risks related to the Offer](#). The Offer may adversely affect the liquidity and value of non-tendered Allied World shares and [Risk Factors Risks related to the Offer](#). If Fairfax initiates a squeeze-out merger under Swiss law, remaining Allied World shareholders will have their shares exchanged for the Merger Consideration.

Q. If I do not tender my Allied World shares prior to the Expiration Time, will I still be able to receive the Special Dividend?

A. Yes. If the Offer is completed, the Special Dividend will be payable to all holders of outstanding Allied World shares as of immediately prior to the Acceptance Time. If the Offer is not completed, the Special Dividend will not be paid to any Allied World shareholders.

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Q. After I tender my Allied World shares, may I change my mind and withdraw them?

A. Yes. You may withdraw your Allied World shares at any time before the Expiration Time and at any time after the Expiration Time until FFH Switzerland accepts the Allied World shares for exchange. In addition, unless we have accepted your Allied World shares for exchange as provided herein, you may also withdraw your Allied World shares at any time after July 7, 2017. Once FFH Switzerland accepts Allied World shares for exchange pursuant to the Offer, all withdrawal rights will terminate and you will not be able to withdraw any tendered Allied World shares. During any Subsequent Offering Period, if any, Allied World shareholders will not be able to withdraw their Allied World shares once they are tendered.

Q. How do I withdraw previously tendered Allied World shares?

A. If you tendered your Allied World shares by delivering a letter of transmittal to Continental Stock Transfer & Trust Company, the exchange agent for the Offer, you may withdraw your Allied World shares by delivering to the exchange agent a properly completed and duly executed notice of withdrawal, guaranteed by an eligible guarantor institution (if the letter of transmittal requires a signature guarantee) before the Expiration Time or before FFH Switzerland accepts the Allied World shares for exchange.

If you tendered your Allied World shares by means of the book-entry confirmation facilities of DTC, you may withdraw your Allied World shares by instructing your financial intermediary, broker, dealer, commercial bank, trust company or other entity through which you hold your Allied World shares to cause the DTC participant through which your Allied World shares were tendered to deliver a notice of withdrawal to the exchange agent through the book-entry confirmation facilities of DTC before the Expiration Time or before FFH Switzerland accepts the Allied World shares for exchange.

See [The Offer Withdrawal Rights](#) for more information about the procedures for withdrawing your previously tendered Allied World shares.

Q. Do I need to do anything if I want to retain my Allied World shares?

A. No. If you want to retain your Allied World shares, you do not need to take any action.

Q. If I decide not to tender into the Offer, what will happen to my Allied World shares?

A. If you decide not to tender into the Offer, you will continue to own your Allied World shares in their current form. However, if the Offer is completed, the amount of publicly held Allied World shares may be so few that there may no longer be an active trading market for Allied World shares. The absence of an active trading market, and corresponding lack of analyst coverage, could reduce the liquidity and, consequently, the market value of your Allied World shares.

Following the completion of the Offer, to the extent permitted under applicable law and stock exchange regulations, Fairfax intends to delist the Allied World shares from the NYSE. Following delisting of the Allied World shares from the NYSE and provided that the criteria for deregistration are met, Fairfax intends to cause Allied World to make a filing with the SEC requesting that Allied World's reporting obligations under the Exchange Act be terminated. Deregistration would substantially reduce the information required to be furnished by Allied World to its shareholders and to the SEC and would make certain provisions of the Exchange Act no longer applicable to Allied World.

Following the completion of the Offer, provided Fairfax has, directly or indirectly, acquired or controls at least 90 percent of all outstanding Allied World shares (excluding Allied World shares held by Allied World), no actions or proceedings are pending with respect to the exercisability of

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the voting rights associated with those Allied World shares and no other legal impediment to a squeeze-out merger under Swiss law exists, Fairfax will, indirectly through Fairfax (Switzerland), initiate the Merger under Swiss law whereby any remaining Allied World shareholders (except for Allied World, Fairfax, FFH Switzerland and Fairfax (Switzerland), which will not receive any compensation for any Allied World shares directly or indirectly held by them) will receive the Merger Consideration.

Upon completion of the Merger, Allied World will cease to exist and all Allied World shares will be cancelled.

For a description of Fairfax's plans and proposals for Allied World, the potential effects of the Offer and the associated risks, see Plans and Proposals for Allied World and Risk Factors Risks related to the Offer. The Offer may adversely affect the liquidity and value of non-tendered Allied World shares.

Q. What is the Minimum Tender Condition and can it be waived?

A. The Minimum Tender Condition is 90 percent of all outstanding Allied World shares (excluding Allied World shares held by Allied World). Fairfax may only waive the Minimum Tender Condition with the prior written approval of Allied World, unless all other conditions to the Offer have been satisfied or waived, in which circumstances Fairfax may elect to waive the Minimum Tender Condition down to $66\frac{2}{3}$ percent of all outstanding Allied World shares (excluding Allied World shares held by Allied World) and consummate the Offer. If Fairfax waives the Minimum Tender Condition down to $66\frac{2}{3}\%$, or waives another condition of the Offer, Fairfax will extend the Offer, if required by applicable law, for a period sufficient to allow you to consider the amended terms of the Offer (typically no less than five business days).

Q. How will the acceptance levels impact Fairfax's plans for Allied World and tendering and non-tendering Allied World shareholders?

A. If, following completion of the Offer, Fairfax has, directly or indirectly, acquired or controls at least 90 percent of all outstanding Allied World shares (excluding Allied World shares held by Allied World), no actions or proceedings are pending with respect to the exercisability of the voting rights associated with those Allied World shares and no other legal impediment to a squeeze-out merger under Swiss law exists, Fairfax will, indirectly through Fairfax (Switzerland), initiate a squeeze-out merger under Swiss law whereby any remaining Allied World shareholders will have their Allied World shares cancelled and, except for Allied World, Fairfax, FFH Switzerland and Fairfax (Switzerland), which will not receive any compensation for any Allied World shares directly or indirectly held by them, receive the Merger Consideration.

The SEC has adopted Rule 13e-3 under the Exchange Act, which is applicable to certain going private transactions, and which may under certain circumstances be applicable to the Merger or any other transaction or series of transactions that occur after completion of the Offer by which Fairfax attempts to acquire the remaining outstanding Allied World shares unless an exemption applies. Fairfax believes that Rule 13e-3 will not be applicable to the Merger because it is anticipated that the Merger will be effected within one year following the consummation of the Offer and, in the Merger, Allied World shareholders will receive the Merger Consideration, which is the same as the Offer Consideration. If an exemption does not apply, such transaction or series of transactions would be subject to US federal securities law (including Rule 13e-3) and Fairfax would be required to file a Schedule 13E-3 with the SEC that would describe, among other things, the reasons for the going private transaction, the relationship of the parties involved, the source(s) of financing, the process used to determine the valuation or price paid to minority

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shareholders and detailed disclosures as to the fairness of any such transaction to minority shareholders.

In the event that the Acceptance Time occurs but, as of immediately prior to the Acceptance Time, the number of Allied World shares validly tendered in the Offer and not withdrawn, together with any Allied World Shares then directly or indirectly owned by Fairfax or FFH Switzerland, represents less than 90% of all outstanding Allied World shares (excluding Allied World shares held by Allied World), Fairfax has agreed to use its reasonable best efforts to consummate the Merger within two years of the Acceptance Time. However, it is possible that Fairfax may not be able to acquire 100 percent (or at least 90 percent) of all outstanding Allied World shares (excluding Allied World shares held by Allied World) in a timely manner, or at all. In addition, any acquisition that takes place after the completion of the Offer may be the subject of litigation, and a court may delay the acquisition or prohibit the acquisition from occurring on the terms described in this prospectus, or at all. Accordingly, non-tendering Allied World shareholders may not receive any consideration for their Allied World shares, and the liquidity and value of any Allied World shares that remain outstanding could be negatively affected.

Following the completion of the Offer, any remaining, non-tendering Allied World shareholder will be a minority shareholder of Allied World with a limited ability, if any, to influence the outcome on any matters that are or may be subject to shareholder approval, including the election of directors, the issuance of shares or other equity securities, the payment of dividends and the acquisition or disposition of substantial assets.

See Plans and Proposals for Allied World and Risk Factors Risks related to the Offer The Offer may adversely affect the liquidity and value of non-tendered Allied World shares.

Q. If my Allied World shares are acquired in the Offer, how will my rights as an Allied World shareholder change?

A. The rights of Allied World shareholders are governed by Swiss law and Allied World's articles of association. If your Allied World shares are acquired in the Offer, you will become a holder of Fairfax shares. Your rights as a holder of Fairfax shares will be governed by Canadian law and by Fairfax's articles of incorporation. For a discussion of the differences in such rights of holders, see Comparison of Shareholders' Rights.

Q. Do I have appraisal rights under the Offer with respect to the Allied World shares?

A. No. Allied World shareholders are not entitled under Swiss law or otherwise to appraisal rights with respect to the Offer. However, if following the completion of the Offer, Fairfax has acquired or controls, directly or indirectly, at least 90 percent of all outstanding Allied World shares (excluding Allied World shares held by Allied World), no actions or proceedings are pending with respect to the exercisability of the voting rights associated with those Allied World shares, and no other legal impediment to a squeeze-out merger under Swiss law exists, Fairfax will, indirectly through Fairfax (Switzerland), initiate a squeeze-out merger under Swiss law. In connection with such Merger, Allied World shareholders can exercise appraisal rights under Article 105 of the Swiss Merger Act by filing a suit against the surviving company with the competent Swiss civil court at the registered office of the surviving company or of Allied World. The suit must be filed by Allied World shareholders within two months after the Merger resolution has been published in the Swiss Official Gazette of Commerce. Allied World shareholders who tender all of their Allied World shares in the Offer, and who do not acquire Allied World shares thereafter, will not be able to file a suit to exercise appraisal rights. If such a suit is filed by non-tendering Allied World shareholders, the court will determine whether the compensation established in the Merger was adequate and the amount of compensation due to the relevant Allied World shareholder, if any,

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and such court's determination will benefit all remaining Allied World shareholders. The filing of an appraisal suit will not prevent completion of the Merger.

Q. What happens if the Offer is not completed?

A. If the Offer is not completed:

and you tendered your Allied World shares by delivering a letter of transmittal, your Allied World shares will be returned to you promptly following the announcement that the Offer has not been completed; or

you tendered your Allied World shares by book-entry transfer, your Allied World shares will be credited to an account maintained at the original book-entry transfer facility to which the Allied World shares were tendered.

Under no circumstances will Fairfax or FFH Switzerland pay, or otherwise agree to be responsible for the payment of, interest or other fees, expenses or other costs of holders Allied World shares if the Offer is not completed.

In addition, if the Offer is not completed, the Special Dividend will not be paid and the \$0.26 dividend for the first quarter of 2017 will be reinstated.

Q. What percentage of Fairfax shares will be owned by the former Allied World shareholders after the Offer is completed?

A. If all of the issued and outstanding Allied World shares are validly tendered and exchanged pursuant to the terms of the Offer (assuming an exchange ratio for the Fixed Value Stock Consideration of 0.026635, which corresponds to the closing price of Fairfax shares on the TSX as of May 2, 2017), the former Allied World shareholders, other than Allied World, will own approximately 17.8 percent of the Fairfax shares representing approximately 10.4 percent of the total voting rights, and holders of existing Fairfax shares, other than Fairfax, will own approximately 82.2 percent of the Fairfax shares representing approximately 47.8 percent of the total voting rights.

Q. Will I have to pay any transaction fees or brokerage commissions?

A. You will not have to pay any transaction fees or brokerage commissions if:

your Allied World shares are registered in your name and you tender them to the exchange agent; or

you instruct your financial intermediary, broker, dealer, commercial bank, trust company or other entity to tender your Allied World shares, subject to the policies of such financial intermediary, broker, dealer, commercial bank, trust company or other entity.

Q. What are the U.S. federal income tax consequences of the Offer for Allied World shareholders?

A. Fairfax and Allied World intend that the Transactions qualify as a tax-deferred reorganization within the meaning of Section 368(a) of the Code (such tax-deferred reorganization, a Reorganization). However, as described more fully in Material Tax Consequences Material U.S. Federal Income Tax Considerations U.S. Federal Income Tax Consequences of the Transactions, the U.S. federal income tax treatment of the Transactions is not clear, as qualification of the Transactions as a Reorganization depends on whether the stock component of the Offer Consideration constitutes at least 40% of the aggregate fair market value of the Offer Consideration, whether the Squeeze-Out Merger occurs and certain other considerations. Accordingly, whether the Transactions qualify as a Reorganization depends on the application of

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complex U.S. federal income tax laws and certain facts which cannot be determined until after the Transactions are completed, and the qualification of the Transactions as a Reorganization cannot be assured.

Furthermore, a significant portion of the Offer Consideration is in the form of cash. Accordingly, even if the Transactions qualify as a Reorganization, and subject to the passive foreign investment company (PFIC) rules discussed under Material Tax Consequences Material U.S. Federal Income Tax Considerations PFIC Considerations , a U.S. Holder (as defined in Material Tax Consequences Material U.S. Federal Income Tax Consequences) that exchanges its Allied World shares for the Offer Consideration will recognize gain in an amount equal to the lesser of (i) the amount of any cash received by such U.S. Holder pursuant to the Offer (excluding cash received in lieu of fractional shares) and (ii) the amount of gain realized by such U.S. Holder in such exchange. The amount of a U.S. Holder s realized gain will equal the excess of (i) the sum of (a) the fair market value of the Fairfax shares received (including any fractional Fairfax shares for which cash is received) and (b) the amount of cash consideration received pursuant to the Offer (other than cash received in lieu of fractional Fairfax shares) over (ii) the U.S. Holder s adjusted tax basis in the Allied World shares exchanged. Because a significant portion of the Offer Consideration is in the form of cash, it is likely that most U.S. Holders will recognize all of their gain realized in the exchange. Furthermore, if the Transactions qualify as a Reorganization, a U.S. Holder will not recognize any loss realized in the exchange. If the Transactions do not qualify as a Reorganization, then a U.S. Holder generally will recognize all the gain or loss such holder realized in the exchange instead of deferring a portion of such holder s realized gain as a result of the receipt of the stock consideration component of the Offer Consideration as outlined below under the heading Material Tax Consequences Material U.S. Federal Income Tax Considerations Tax-Deferred Reorganization Treatment . Cash received in lieu of a fractional Fairfax share will be treated as a payment in exchange for the fractional Fairfax share, resulting in a U.S. Holder s recognition of gain or loss in an amount equal to the difference between the amount of cash received for the fractional Fairfax share and the U.S. Holder s adjusted tax basis attributable to the fractional Fairfax share. The aggregate adjusted tax basis of a U.S. Holder in Fairfax shares received pursuant to the Offer will equal such U.S. Holder s aggregate adjusted tax basis in its Allied World shares exchanged therefor, increased by the amount of gain recognized and decreased by the amount of cash received by such U.S. Holder pursuant to the Offer. If a U.S. Holder acquired Allied World shares at different times or different prices, gain realized in accordance with the preceding rules will be determined separately with respect to each block of shares.

For more information on the U.S. federal income tax consequences of the Offer, see Material Tax Consequences Material U.S. Federal Income Tax Considerations. You should consult your own tax advisor on the tax consequences to you of tendering your Allied World shares in the Offer.

Q. What is the market value of the Allied World shares as of a recent date?

A. As of May 2, 2017, the latest practicable date before the date of this prospectus, the closing price of the Allied World shares reported on the NYSE was \$52.94 per Allied World share.

Q. Where can I find more information about Fairfax and Allied World?

A. You can find more information about Fairfax and Allied World by reading this prospectus and from various sources described in this prospectus under Where You Can Find Additional Information.

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Q. Who can answer my questions?

A. If you have any questions about the Offer, or if you need to request additional copies of this prospectus or other documents, you should contact the information agent at the following address and telephone number:

1290 Avenue of the Americas, 9th Floor
New York, NY 10104

**Shareholders, Banks and Brokers
Call Toll Free:**

(800) 248-7690

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SUMMARY

*The following summary highlights material information contained or incorporated by reference in this prospectus. It does not contain all of the information that may be important to you. In particular, you should read the documents attached to this prospectus which are made part of this prospectus and the documents incorporated by reference into this prospectus. This summary and the balance of this prospectus contain forward-looking statements about events that are not certain to occur as described, or at all, and you should not place undue reliance on those statements. Please carefully read the section *Cautionary Statement Regarding Forward-Looking Statements*. You are urged to read carefully this entire document (including the annexes) and other documents that are referred to or incorporated by reference in this prospectus in order to fully understand the transactions contemplated by the Merger Agreement. See *Where You Can Find Additional Information*. Most items in this summary include a page reference directing you to a more complete description of those items.*

The Companies

FFH Switzerland (see page 140)

FFH Switzerland is an indirect wholly owned subsidiary of Fairfax. All outstanding quotas of FFH Switzerland are owned by Canada Sub, a direct wholly owned subsidiary of Fairfax. FFH Switzerland's registered office is located at c/o LacMont AG, Hofstrasse 1a, 6300 Zug, Switzerland. FFH Switzerland was formed for the purpose of the Transactions and has not conducted, and does not expect to conduct, any business other than in connection with its organization and the consummation of the Transactions.

Fairfax (Switzerland)

Fairfax (Switzerland) is an indirect wholly owned subsidiary of Fairfax. All outstanding quotas of Fairfax (Switzerland) are owned by FFH Switzerland. Fairfax (Switzerland)'s registered office is located at c/o LacMont AG, Hofstrasse 1a, 6300 Zug, Switzerland. Fairfax (Switzerland) was formed for the purpose of the Transactions and has not conducted, and does not expect to conduct, any business other than in connection with its organization and the consummation of the Transactions.

Canada Sub (see page 140)

Canada Sub is a direct wholly owned subsidiary of Fairfax. Canada Sub's registered office is located at 1600-925 West Georgia Street, Vancouver, British Columbia, Canada. Canada Sub was formed for the purpose of the Transactions and has not conducted, and does not expect to conduct, any business other than in connection with its organization and the consummation of the Transactions.

Fairfax

Fairfax is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and investment management. Fairfax is incorporated under the *Canada Business Corporations Act*. Fairfax operates through a decentralized operating structure, with autonomous management teams applying a focused underwriting strategy to its markets. The Fairfax Group seeks to differentiate itself by combining disciplined underwriting with the investment of its assets on a total return basis, which it believes provides above-average returns over the long-term. The Fairfax Group provides a full range of property and casualty products, maintaining a diversified portfolio of risks across classes of business, geographic regions, and types of insureds. Fairfax has been under current management since September 1985. Fairfax's principal executive offices are located at

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Suite 800, 95 Wellington Street West, Toronto, Ontario, Canada. Fairfax's telephone number is (416) 367-4941.

The Fairfax shares are traded on the TSX under the symbol FFH.

Allied World

Allied World is a Swiss-based holding company headquartered in Switzerland, whose subsidiaries provide innovative property, casualty and specialty insurance and reinsurance solutions to clients worldwide. Allied World was formed in Bermuda in 2001 and has continued to maintain significant insurance and reinsurance operations there following its redomestication to Switzerland in 2010.

Allied World has its registered office and principal executive office located at Gubelstrasse 24, Park Tower, 15th Floor, 6300 Zug, Switzerland. Its telephone number at that address is +41-41-768-1080.

Additional information about Allied World is contained in its public filings, which are incorporated by reference herein. See **Where You Can Find Additional Information** on page 232.

Allied World shares are traded on the NYSE under the symbol AWH.

Risk Factors (see page 42)

In deciding whether to tender your Allied World shares in the Offer, you should carefully consider the risks described under **Risk Factors**.

Background to and Reasons for the Transactions (see page 73)

Fairfax's Reasons for the Transactions (see page 82)

For more information regarding the factors considered by the Fairfax board of directors in reaching its decision to approve the Merger Agreement and the transactions contemplated by the Merger Agreement, see **Background to and Reasons for the Transactions Fairfax's Reasons for the Transactions**.

Allied World's Reasons for the Transactions (see page 88)

For more information regarding the factors considered by the Allied World board of directors in reaching its decision to make the recommendation to the Allied World shareholders that they tender their Allied World shares in the Offer, see **Background to and Reasons for the Transactions Allied World's Reasons for the Transactions**.

Opinion of Allied World's Financial Advisor (see page 91)

In connection with the Offer and the Merger, Merrill Lynch, Pierce, Fenner & Smith Incorporated (**BofA Merrill Lynch**), Allied World's financial advisor, delivered to Allied World's board of directors a written opinion, dated December 18, 2016, as to the fairness, from a financial point of view and as of the date of the opinion, of the Offer Consideration and the Merger Consideration to be received by Allied World shareholders in the Offer and the Merger (after giving effect to the Special Dividend). The full text of the written opinion, dated December 18, 2016, of BofA Merrill Lynch, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex B to this prospectus and is incorporated by reference herein in its entirety. **BofA Merrill Lynch provided its opinion to Allied World's board of directors**

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(in its capacity as such) for the benefit and use of Allied World's board of directors in connection with and for purposes of its evaluation of the Offer and the Merger from a financial point of view. BofA Merrill Lynch's opinion does not address any other aspect of the Offer and the Merger and no opinion or view was expressed as to the relative merits of the Transactions (including the Special Dividend) in comparison to other strategies or transactions that might be available to Allied World or in which Allied World might engage or as to the underlying business decision of Allied World to proceed with or effect the Transactions (including the Special Dividend). BofA Merrill Lynch's opinion does not address any other aspect of the Offer and the Merger and does not constitute a recommendation to any Allied World shareholder as to whether any such Allied World shareholder should tender its Allied World shares in the Offer, or as to how any Allied World shareholder should vote or act in connection with the Merger or any related matter.

Plans and Proposals for Allied World (see page 103)

If, following completion of the Offer, Fairfax has, directly or indirectly, acquired or controls at least 90 percent of all outstanding Allied World shares (excluding Allied World shares held by Allied World), no actions or proceedings are pending with respect to the exercisability of the voting rights associated with those Allied World shares and no other legal impediment to a squeeze-out merger under Swiss law exists, Fairfax will, indirectly through Fairfax (Switzerland), initiate a squeeze-out merger under Swiss law whereby any remaining Allied World shareholders will have their Allied World shares cancelled and, except for Allied World, Fairfax, FFH Switzerland and Fairfax (Switzerland), which will not receive any compensation for any Allied World shares directly or indirectly held by them, receive the Merger Consideration.

The SEC has adopted Rule 13e-3 under the Exchange Act, which is applicable to certain going private transactions, and which may under certain circumstances be applicable to the Merger or any other transaction or series of transactions that occur after completion of the Offer by which Fairfax attempts to acquire the remaining outstanding Allied World shares unless an exemption applies. Fairfax believes that Rule 13e-3 will not be applicable to the Merger because it is anticipated that the Merger will be effected within one year following the consummation of the Offer and, in the Merger, Allied World shareholders will receive the Merger Consideration, which is the same as the Offer Consideration. If an exemption does not apply, such transaction or series of transactions would be subject to US federal securities law (including Rule 13e-3) and Fairfax would be required to file a Schedule 13E-3 with the SEC that would describe, among other things, the reasons for the going private transaction, the relationship of the parties involved, the source(s) of financing, the process used to determine the valuation or price paid to minority shareholders and detailed disclosures as to the fairness of any such transaction to minority shareholders.

In the event that the Acceptance Time occurs but, as of immediately prior to the Acceptance Time, the number of Allied World shares validly tendered in the Offer and not withdrawn, together with any Allied World Shares then directly or indirectly owned by Fairfax or FFH Switzerland, represents less than 90% of all outstanding Allied World shares (excluding Allied World shares held by Allied World), Fairfax has agreed to use its reasonable best efforts to consummate the Merger within two years of the Acceptance Time. However, it is possible that Fairfax may not be able to acquire 100 percent (or at least 90 percent) of all outstanding Allied World shares (excluding Allied World shares held by Allied World) in a timely manner, or at all. In addition, any acquisition that takes place after the completion of the Offer may be the subject of litigation, and a court may delay the acquisition or prohibit the acquisition from occurring on the terms described in this prospectus, or at all. Accordingly, non-tendering Allied World shareholders may not receive any consideration for such Allied World shares, and the liquidity and value of any Allied World shares that remain outstanding could be negatively affected.

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See Plans and Proposals for Allied World.

Delisting and Deregistration (see page 106)

Following the completion of the Offer, to the extent permitted under applicable law and stock exchange regulations, Fairfax intends to delist the Allied World shares from the NYSE. Delisting from the NYSE will adversely affect the liquidity of the Allied World shares and may reduce the value as a result. Following delisting of the Allied World shares from the NYSE and provided that the criteria for deregistration are met, Fairfax intends to cause Allied World to make a filing with the SEC requesting that Allied World's reporting obligations under the Exchange Act be terminated. Deregistration would substantially reduce the information required to be furnished by Allied World to its shareholders and to the SEC and would make certain provisions of the Exchange Act no longer applicable to Allied World.

The Offer (see page 108)

Fairfax, through FFH Switzerland, is offering to acquire all of the outstanding Allied World shares (excluding Allied World shares held by Allied World) pursuant to an offer to exchange made to all Allied World shareholders.

Allied World shareholders are being offered a combination of cash and stock consideration for their Allied World shares. For each Allied World share held, Allied World shareholders are being offered (i) cash consideration of \$23.00, without interest (the Cash Consideration), (ii) Fairfax shares having a value of \$14.00 based on the closing price of the Fairfax shares on December 16, 2016, being 0.030392 of a Fairfax share (the Fixed Exchange Stock Consideration) and (iii) additional stock consideration equal to the quotient of (x) \$12.00 and (y) the volume weighted average price of Fairfax shares on the TSX for the 20 consecutive trading days immediately preceding the trading day before the date on which FFH Switzerland first accepts tendered Allied World shares for exchange (the Acceptance Time), converted from Canadian dollars to US dollars using the average Bank of Canada USD/CAD exchange rate over such 20-day period, rounded to the nearest one-hundredth of one cent (provided that this volume weighted average price is greater than \$435.65 and less than \$485.65 per Fairfax share) (the Fixed Value Stock Consideration) and, together with the Cash Consideration and the Fixed Exchange Stock Consideration, the Offer Consideration). If this volume weighted average price of Fairfax shares during this period is greater than or equal to \$485.65 per Fairfax share, the Fixed Value Stock Consideration will be fixed at an exchange ratio of 0.024709 of a Fairfax share for each Allied World share. If this volume weighted average price of Fairfax shares during this period is less than or equal to \$435.65 per Fairfax share, the Fixed Value Stock Consideration will be fixed at an exchange ratio of 0.027545 of a Fairfax share for each Allied World share.

In addition, Allied World will pay a special cash dividend of \$5.00 per share, without interest, as soon as possible after the Acceptance Time to holders of Allied World shares as of immediately prior to the Acceptance Time, which is being paid outside of the Offer but is conditioned upon completion of the Offer (the Special Dividend). The \$23.00 per share Cash Consideration payable under the Offer, together with the \$5.00 per share Special Dividend, will result in Allied World shareholders being entitled to receive a total of \$28.00 in cash per Allied World share upon completion of the Offer.

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The aggregate consideration of \$54.00 per Allied World share, based on the closing price per Fairfax share of CAD\$614.45 on December 16, 2016 on the TSX, represented a premium of 18 percent to the closing price of \$45.77 per Allied World share on December 16, 2016, being the last business day preceding the announcement of the Offer.

The exchange ratio in relation to the Fixed Value Stock Consideration portion of the Offer Consideration is not fixed, and may fluctuate depending on the market price of Fairfax shares and the currency exchange rate. Therefore, the number of Fairfax shares that holders of Allied World shares will receive upon completion of the Offer will depend on the market value of the Fairfax shares and the exchange rate of Canadian dollars to US dollars for the 20 consecutive trading days immediately preceding the trading day before the Acceptance Time. Promptly following the closing of the TSX two trading days immediately preceding the Acceptance Time, the exchange ratio for the Fixed Value Stock Consideration will be determined, and Fairfax will issue a press release stating this exchange ratio and the total number of Fairfax shares to be issued to holders of Allied World shares who validly tender and do not withdraw their Allied World shares pursuant to the Offer.

Timing of the Offer (see page 108)

The Offer will commence on May 8, 2017 and will expire at 11:59 p.m., New York City time, on June 30, 2017. If one or more of the conditions to the Offer are not satisfied or, to the extent legally permitted, waived, FFH Switzerland will extend the period of time for which the Offer is open for successive periods of 10 business days (or such other number of business days as Fairfax and Allied World agree) until all the conditions to the Offer have been satisfied or waived. However, neither Fairfax nor FFH Switzerland will be required to extend the Offer beyond August 18, 2017, except in limited circumstances, as provided for in the Merger Agreement.

FFH Switzerland may, following the expiration of the Offer, elect to provide one or more Subsequent Offering Periods of at least three business days in length following the Expiration Time and acceptance for exchange of Allied World shares tendered in the Offer. A Subsequent Offering Period would be an additional period of time, following the first exchange of Allied World shares in the Offer, during which Allied World shareholders could tender Allied World shares not tendered in the Offer.

Withdrawal Rights (see page 110)

Allied World shareholders may withdraw their Allied World shares at any time before the Expiration Time and at any time before FFH Switzerland accepts Allied World shares for exchange pursuant to the Offer. In addition, unless we have accepted your Allied World shares for exchange as provided herein, you may also withdraw your Allied World shares at any time after July 7, 2017. Allied World shareholders will not be entitled to withdraw any Allied World shares tendered in any Subsequent Offering Period.

Conditions to the Offer (see page 111)

The Offer is subject to the following conditions. Neither Fairfax nor FFH Switzerland will be obliged to purchase any Allied World shares validly tendered (or defectively tendered and such defect is waived by FFH Switzerland) in the Offer and not properly withdrawn if the following conditions have not been satisfied, or to the extent legally permitted, waived (some of which have been satisfied, as noted below).

- (i) There having been validly tendered in accordance with the terms of the Offer (other than Allied World shares tendered by guaranteed delivery where actual delivery has not occurred), prior to the scheduled expiration of the Offer (as it may be extended pursuant to the terms of

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the Merger Agreement) and not properly withdrawn, a number of Allied World shares that, together with any Allied World shares then directly or indirectly owned by Fairfax, FFH Switzerland or Fairfax (Switzerland), represents at least 90 percent of all outstanding Allied World shares (excluding Allied World shares held by Allied World). The Minimum Tender Condition may not be waived by Fairfax without Allied World's written approval unless all other conditions to the closing of the Offer (excluding the Minimum Tender Condition and conditions to be satisfied at the closing of the Offer) have been satisfied or waived (if such waiver is permitted under the terms of the Merger Agreement), in which case Fairfax, in its sole and absolute discretion, may waive the Minimum Tender Condition down to 66²/₃ percent of all outstanding Allied World shares (excluding Allied World shares held by Allied World).

(ii)

The absence of (i) any order or preliminary or permanent injunction of a court of competent jurisdiction, including any temporary restraining order, that is in effect, (ii) any law enacted, issued, promulgated, enforced or entered by any governmental entity, and (iii) any pending action instituted or initiated by any federal governmental entity, in each case that does or would prevent, prohibit or make illegal the consummation of the Offer, the Merger or the other transactions contemplated by the Merger Agreement.

(iii)

The new Fairfax shares to be issued in the Offer having been conditionally approved for listing on the TSX, subject to the satisfaction by Fairfax of customary listing conditions of the TSX (which has been obtained).

(iv)

The registration statement on Form F-4 of which this prospectus forms a part having been declared effective under the Securities Act and any applicable blue sky securities filings, permits or approvals being made or received in accordance with applicable law, and the absence of (i) any stop order by the SEC or any state securities administrator suspending the effectiveness of such registration statement and (ii) any pending proceedings by the SEC or any state securities administrator seeking such a stop order.

(v)

The (i) expiration or termination of any applicable waiting period (and any extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder (the "HSR Act") (which waiting period has been terminated), (ii) receipt of certain insurance regulatory approvals and antitrust and competition approvals in the United States, Cyprus, Germany, Malta, the European Union, Pakistan, Canada and South Africa (the "Transaction Approvals") and any additional antitrust approvals that Fairfax and Allied World jointly determine are advisable and warranted (the "Additional Antitrust Approvals"), and (iii) making of any other notices, reports and filings required to be made by Allied World, Fairfax or any of their respective subsidiaries with, and the receipt of any other consents, registrations, approvals, permits and authorizations required to be obtained from, any governmental entity in connection with the execution, delivery and consummation of the Merger Agreement, the Offer, the Merger and the other transactions contemplated by the Merger Agreement (except for any failure that would not, individually or in the aggregate, render the Offer or the Merger or any of the other Transactions illegal or result in a Material Adverse Effect (as defined in the Merger Agreement) with respect to Fairfax or Allied World, or subject Allied World or its affiliates, or any of their respective directors, officers, employees or representatives, to any criminal liability).

(vi)

The absence of any terms in the Transaction Approvals and Additional Antitrust Approvals that, individually or in the aggregate, result in or would reasonably be expected to result in any action requiring the divestiture, sale, transfer or licensing of, or limiting Fairfax's freedom of action with respect to, or ability to retain, any assets, businesses or properties of Allied World, Fairfax, FFH Switzerland or Fairfax (Switzerland), or any of their respective

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subsidiaries (other than assets, businesses or properties that are *de minimis* in the aggregate to Fairfax and its subsidiaries taken as a whole after giving effect to the Transactions).

- (vii) The absence of any criminal liability on the part of Allied World or any of its affiliates, or any of their respective directors, officers, employees or representatives, resulting from any Transaction Approval or Additional Antitrust Approval.
- (viii) The declaration by Allied World shareholders of the Special Dividend and the forgoing of the \$0.26 quarterly dividend for the first quarter of 2017 (which have been declared and forgone, respectively, subject to completion of the Offer).
- (ix) The approval by Allied World shareholders of the amendment to Allied World's articles of association to permit a holder of 10 percent or more of the Allied World shares to register its Allied World shares in Allied World's shareholder register with full voting rights for all shares held by such holder (or any of its affiliates or controlled persons as defined in Article 14 of Allied World's articles of association) (the "Articles Amendment") (which has been approved, subject to completion of the Offer) and, unless waived by Fairfax, the election by Allied World shareholders of the individuals designated by Fairfax to the board of directors of Allied World in accordance with the terms of the Merger Agreement (the "Board Modification"), each of which shall be in full force and effect.
- (x) The approval by Fairfax shareholders of the issuance of Fairfax shares pursuant to the Merger Agreement, if required by applicable law (which is no longer required as a result of Fairfax's exercise of the Cash Election).
- (xi) The Allied World board of directors having resolved to register FFH Switzerland and/or any other company controlled and designated by Fairfax in the share register of Allied World as shareholder(s) with voting rights with respect to all Allied World shares Fairfax or any of its subsidiaries has acquired or may acquire (with respect to Allied World shares to be acquired in the Offer subject to all other conditions to the Offer having been satisfied or waived), and/or FFH Switzerland and/or any other company controlled and designated by Fairfax having been registered in the share register of Allied World as shareholder(s) with voting rights with respect to all Allied World shares acquired.
- (xii) Subject to certain exceptions, the representations and warranties of Allied World pursuant to the Merger Agreement remaining true and correct as of the expiration of the Offer as though made on and as of the expiration of the Offer (except as would not have an Allied World Material Adverse Effect (as defined in the Merger Agreement)), and the receipt by Fairfax of a certificate from Allied World as to the satisfaction of such condition.
- (xiii) The performance and compliance, in all material respects, of Allied World's obligations, agreements and covenants to be performed and complied with under the Merger Agreement, and the receipt by Fairfax of a certificate from Allied World as to the satisfaction of such condition.
- (xiv) Since December 18, 2016, the absence of any events, circumstances, developments, changes and effects that, individually or in the aggregate with other such events, circumstances, developments, changes and effects had, or would reasonably be expected to have, a Material Adverse Effect on Allied World.
- (xv) The Offer having not otherwise been terminated with the prior written consent of Allied World.

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The conditions to the Offer are for the sole benefit of Fairfax and FFH Switzerland and, to the extent legally permitted and subject to the terms of the Merger Agreement, may be waived by Fairfax or FFH Switzerland (either in whole or in part), at any time and from time to time prior to the Expiration Time or any extension thereof, in the sole and absolute discretion of Fairfax and FFH Switzerland. Notice of any such waiver will be given in the manner prescribed by applicable law. However, Fairfax and FFH Switzerland may not, without the prior written consent of Allied World, amend, modify or waive the Minimum Tender Condition below 90 percent of all outstanding Allied World shares (excluding Allied World shares held by Allied World) unless all other conditions to the Offer have been satisfied, or will be satisfied on the closing of the Merger, or waived, to the extent such waiver is permitted under the Merger Agreement, in which case Fairfax may elect to waive the Minimum Tender Condition down to $66\frac{2}{3}$ percent of all outstanding Allied World shares (excluding Allied World shares held by Allied World) as described above. In addition, Fairfax cannot waive the conditions described above under items (ii) through (x) (except item (vi)) above without the prior written consent of Allied World in its sole and absolute discretion. If Fairfax waives the Minimum Tender Condition down to $66\frac{2}{3}\%$, or waives another condition of the Offer, Fairfax will extend the Offer, if required by applicable law, for a period sufficient to allow you to consider the amended terms of the Offer (typically five business days). Fairfax will comply with Rule 14d-4(d)(2) under the Exchange Act in connection with material changes to the terms of the Offer.

Settlement of the Offer (see page 116)

If the conditions to the Offer have been satisfied or, to the extent legally permitted, waived, the consideration payable to tendering Allied World shareholders whose Allied World shares are accepted for exchange will be calculated by the exchange agent. Fairfax shares will be issued, and cash will be paid, to tendering Allied World shareholders promptly following the Acceptance Time.

Treatment of Allied World Options and Other Stock-Based Awards (see page 121)

The Offer does not extend to Allied World Options or other stock-based awards. However, if the Offer is consummated, holders of Allied World Options or other stock-based awards will receive the consideration described below.

At the Acceptance Time, each Allied World Option granted by Allied World under any Allied World Share Plan that is outstanding and unexercised immediately before or as of the Acceptance Time, whether or not exercisable and whether or not vested, will be cancelled and automatically converted into the right to receive an amount in cash equal to the product of the excess, if any, of the Equity Award Consideration over the exercise price per share of Allied World shares subject to such Allied World Option and the total number of Allied World shares subject to such Allied World Option. For each Allied World Option, if the applicable exercise price per share of Allied World shares equals or exceeds the Equity Award Consideration, such Allied World Option will be cancelled without payment of any consideration, and all rights with respect to such Allied World Option will terminate as of the Acceptance Time.

At the Acceptance Time, each Allied World Restricted Award and each Other Allied World Award subject to time vesting conditions will, without any further action on the part of the holder, become fully vested immediately prior to the Acceptance Time. Each Performance Award will, without any further action on the part of the holder, become fully vested immediately prior to the Acceptance Time, subject to the following rules: for each Performance Award for which the applicable performance period is completed as of immediately prior to the Acceptance Time, the number of Performance Awards that will vest as of immediately prior to the Acceptance Time will be based on actual performance; and, for each Performance Award for which the applicable performance period is not completed as of immediately prior to the Acceptance Time, notwithstanding anything to the contrary in

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any agreement, plan or arrangement covering such Performance Award, the number of Performance Awards that will vest as of immediately prior to the Acceptance Time will be based on the target of the applicable Performance Award (as reasonably determined by the compensation committee of the Allied World board of directors prior to the Acceptance Time). Each Performance Award that does not vest under the circumstances set out in the previous sentence will be cancelled and terminated without consideration immediately prior to the Acceptance Time.

Each Allied World Restricted Award and Other Allied World Award that vests in accordance with the Merger Agreement will, without any further action on the part of the holder, be cancelled as of the Acceptance Time and automatically converted into the right to receive an amount in cash equal to the product obtained by multiplying the Equity Award Consideration and the total number of Allied World shares subject to such Allied World Restricted Award or Other Allied World Award, as applicable, or, to the extent that an Other Allied World Award is denominated in cash, rather than in Allied World shares, the cash amount payable pursuant to such Other Allied World Award, as determined in accordance with the Merger Agreement.

Prior to the Acceptance Time, subsequent offering periods under the Allied World ESPP will be suspended and terminated following the Acceptance Time. Each Allied World share purchased under the Allied World ESPP will be treated as an Allied World share for all purposes of the Merger Agreement, including with respect to the Offer.

Fairfax or one of its subsidiaries will pay to holders of Allied World Options, Allied World Restricted Awards and Other Allied World Awards the cash amounts due, less such amounts required to be withheld or deducted under the Code or any provision of state, local or foreign law with respect to the vesting of the award or making of such payment, on the first payroll date following the Acceptance Time. To the extent amounts are withheld or deducted, such withheld amounts will be treated for the purposes of the Merger Agreement as having been paid to the holders of Allied World Options, Allied World Restricted Awards and Other Allied World Awards in respect of which such deduction and withholding was made.

Regulatory Matters (see page 117)

The Offer is conditional on the receipt of approval from insurance regulatory and competition authorities of certain jurisdictions and of antitrust clearance from the regulatory authorities of certain jurisdictions. In particular, the Offer is subject to approval by insurance regulatory authorities in the United States (including in Arkansas, Delaware and New Hampshire), as well as in Australia, Ireland and the United Kingdom, as well as by Lloyd's. Further, antitrust consents or confirmations were sought from, among others, the FTC, the Antitrust Division of the U.S. Department of Justice and antitrust authorities in certain other jurisdictions. On January 17, 2017, Fairfax filed notification and report forms with the FTC and the Antitrust Division of the U.S. Department of Justice under the HSR Act. On January 27, 2017, the request for early termination of the waiting period was granted by the FTC and the Antitrust Division of the U.S. Department of Justice.

Accounting Treatment (see page 117)

The acquisition of the Allied World shares will be accounted for using the acquisition method under International Financial Reporting Standards, as issued by the International Accounting Standards Board (IFRS).

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Appraisal Rights (see page 117)

Allied World shareholders are not entitled under Swiss law or otherwise to appraisal rights with respect to the Offer. However, if, following the completion of the Offer, Fairfax has acquired or controls, directly or indirectly, at least 90 percent of all outstanding Allied World shares (excluding Allied World shares held by Allied World), no actions or proceedings are pending with respect to the exercisability of the voting rights associated with those Allied World shares, and no other legal impediment to a squeeze-out merger under Swiss law exists, Fairfax will, indirectly through Fairfax (Switzerland), initiate a squeeze-out merger under Swiss law. In connection with the Merger, Allied World shareholders will be able to exercise appraisal rights under Article 105 of the Swiss Merger Act by filing a suit against the surviving company with the competent Swiss civil court at the registered office of the surviving company or of Allied World. The suit must be filed by Allied World shareholders within two months after the Merger resolution has been published in the Swiss Official Gazette of Commerce. Allied World shareholders who tender all of their Allied World shares in the Offer, and who do not acquire Allied World shares thereafter, will not be able to file a suit to exercise appraisal rights. If such a suit is filed by non-tendering Allied World shareholders, the court will determine whether the compensation established in the Merger was inadequate and the amount of compensation due to the relevant Allied World shareholder, if any, and such court's determination will benefit all remaining Allied World shareholders. The filing of an appraisal suit will not prevent completion of the Merger.

Material U.S. Federal Income Tax Consequences (see page 171)

Fairfax and Allied World intend that the Transactions qualify as a Reorganization. However, as described more fully in Material Tax Consequences Material U.S. Federal Income Tax Considerations U.S. Federal Income Tax Consequences of the Transactions, the U.S. federal income tax treatment of the Transactions is not clear, as qualification of the Transactions as a Reorganization depends on whether the stock component of the Offer Consideration constitutes at least 40% of the aggregate fair market value of the Offer Consideration, whether the Squeeze-Out Merger occurs and certain other considerations. Accordingly, whether the Transactions qualify as a Reorganization depends on the application of complex U.S. federal income tax laws and certain facts which cannot be determined until after the Transactions are completed, and the qualification of the Transactions as a Reorganization cannot be assured.

Furthermore, a significant portion of the Offer Consideration is in the form of cash. Accordingly, even if the Transactions qualify as a Reorganization, and subject to the PFIC rules discussed under Material Tax Consequences Material U.S. Federal Income Tax Considerations PFIC Considerations, a U.S. Holder (as defined in Material Tax Consequences Material U.S. Federal Income Tax Consequences) that exchanges its Allied World shares for the Offer Consideration will recognize gain in an amount equal to the lesser of (i) the amount of any cash received by such U.S. Holder pursuant to the Offer (excluding cash received in lieu of fractional shares) and (ii) the amount of gain realized by such U.S. Holder in such exchange. The amount of a U.S. Holder's realized gain will equal the excess of (i) the sum of (a) the fair market value of the Fairfax shares received (including any fractional Fairfax shares for which cash is received) and (b) the amount of cash consideration received pursuant to the Offer (other than cash received in lieu of fractional Fairfax shares) over (ii) the U.S. Holder's adjusted tax basis in the Allied World shares exchanged. Because a significant portion of the Offer Consideration is in the form of cash, it is likely that most U.S. Holders will recognize all of their gain realized in the exchange. Furthermore, if the Transactions qualify as a Reorganization, a U.S. Holder will not recognize any loss realized in the exchange. If the Transactions do not qualify as a Reorganization, then a U.S. Holder generally will recognize all the gain or loss such holder realized in the exchange instead of deferring a portion of such holder's realized gain as a result of the receipt of the stock consideration component of the Offer Consideration as outlined below

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under the heading **Material Tax Consequences** **Material U.S. Federal Income Tax Considerations** **Tax-Deferred Reorganization Treatment** . Cash received in lieu of a fractional Fairfax share will be treated as a payment in exchange for the fractional Fairfax share, resulting in a U.S. Holder's recognition of gain or loss in an amount equal to the difference between the amount of cash received for the fractional Fairfax share and the U.S. Holder's adjusted tax basis attributable to the fractional Fairfax share. The aggregate adjusted tax basis of a U.S. Holder in Fairfax shares received pursuant to the Offer will equal such U.S. Holder's aggregate adjusted tax basis in its Allied World shares exchanged therefor, increased by the amount of gain recognized and decreased by the amount of cash received by such U.S. Holder pursuant to the Offer. If a U.S. Holder acquired Allied World shares at different times or different prices, gain realized in accordance with the preceding rules will be determined separately with respect to each block of shares.

For more information on the U.S. federal income tax consequences of the Offer, see **Material Tax Consequences** **Material U.S. Federal Income Tax Considerations**. You should consult your own tax advisor on the tax consequences to you of tendering your Allied World shares in the Offer.

Comparison of Shareholders' Rights (see page 193)

Allied World shareholders receiving Fairfax shares will have different rights once they become Fairfax shareholders than they do as holders of Allied World shares. The rights of a holder of Fairfax shares will be governed by Canadian law and by Fairfax's articles of incorporation. For a discussion of the differences in such rights of holders, see **Comparison of Shareholders' Rights**.

Interests of Allied World's Directors and Executive Officers (see page 221)

In considering the recommendation of Allied World's board of directors that you tender your Allied World shares in the Offer, you should be aware that all or some of Allied World's directors and executive officers may have interests in the Offer and the other transactions contemplated by the Merger Agreement (including the Merger) that are different from, or in addition to, those of Allied World shareholders generally. These interests include, but are not limited to, the treatment of Allied World RSUs or Allied World PRSUs held by Allied World directors and executive officers, payments to executive officers upon the closing of the Transactions pursuant to the SERP or continuation of compensation and benefits for a predetermined notice period in accordance with the terms of their existing employment agreements in the event a notice of termination is delivered by Allied World (or Fairfax) following the closing of the Transactions. The members of Allied World's board of directors were aware of and considered these interests, among other matters, in evaluating and negotiating the Merger Agreement and the Offer, and in making their recommendation to shareholders. For more information on these interests, see **Interests of Allied World, FFH Switzerland and Fairfax and their Directors and Officers**.

Interests of Fairfax, FFH Switzerland and their Directors and Executive Officers (see page 226)

The interests of Fairfax, FFH Switzerland and, to the best knowledge of Fairfax and FFH Switzerland, any of their current directors and executive officers, in the Offer are set out in **Interests of Allied World, FFH Switzerland and Fairfax and their Directors and Officers**. In addition, the ownership of each of Fairfax's directors and executive officers in Fairfax shares is set out in **Security Ownership of Certain Beneficial Holders of Fairfax**.

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Additional Information (see page 232)

If you have any questions about the Offer, or if you need to request additional copies of this prospectus or other documents, you should contact the information agent at the following address and telephone number:

Georgeson LLC
1290 Avenue of the Americas, 9th Floor
New York, NY 10104
Shareholders, Banks and Brokers
Call Toll Free:
(800) 248-7690

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**SELECTED HISTORICAL
CONSOLIDATED FINANCIAL DATA OF FAIRFAX**

The following table summarizes selected historical consolidated financial information of Fairfax and is derived from the historical consolidated financial statements of Fairfax that were prepared in accordance with IFRS for the fiscal years ended December 31, 2016, 2015, 2014, 2013 and 2012. The information as at and for each of the years in the five-year period ended December 31, 2016 has been derived from the audited consolidated financial statements of Fairfax, the notes thereto, and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, as filed with the SEC. The following table also summarizes selected historical consolidated financial information of Fairfax as at and for the three months ended March 31, 2017 and 2016, which has been derived from the unaudited interim consolidated financial statements of Fairfax and the notes thereto as furnished to the SEC on Form 6-K. Such unaudited interim consolidated financial statements include, in the opinion of Fairfax's management, all normal recurring adjustments considered necessary for a fair presentation of the results of operations and financial condition of Fairfax. Historical results are not necessarily indicative of any results to be expected in the future.

The information set out below is only a summary that you should read together with (i) the audited consolidated financial statements of Fairfax and the notes thereto, and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, included in Fairfax's Annual Report on Form 40-F for the fiscal year ended December 31, 2016, and (ii) the unaudited interim consolidated financial statements of Fairfax and the notes thereto, and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, included in exhibits to Fairfax's Form 6-K furnished to the SEC for the three months ended March 31, 2017, each of which is incorporated by reference into this prospectus. The selected historical financial information of Fairfax for the fiscal years ended December 31, 2014, 2013 and 2012, have been derived from Fairfax's audited consolidated financial statements for such years, which have not been incorporated by reference into this prospectus. The selected historical financial information of Fairfax as at March 31, 2016 has been derived from Fairfax's unaudited interim consolidated financial statements for the three months ended March 31, 2016, which have not been incorporated by reference into this prospectus. See the section "Where You Can Find Additional Information."

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Selected Consolidated Statement of Earnings Data	Three months ended March 31,		Year ended December 31,				
	2017	2016	2016	2015	2014	2013	2012
	(\$ millions, except share and per share amounts)						
Revenue							
Gross premiums written	\$ 2,609.2	\$ 2,344.0	\$ 9,534.3	\$ 8,655.8	\$ 7,459.9	\$ 7,227.1	\$ 7,398.3
Net premiums written	\$ 2,275.0	\$ 2,030.3	\$ 8,088.4	\$ 7,520.5	\$ 6,301.8	\$ 6,036.2	\$ 6,194.1
Gross premiums earned	\$ 2,322.5	\$ 2,074.6	\$ 9,209.7	\$ 8,581.7	\$ 7,358.2	\$ 7,294.0	\$ 7,294.8
Premiums ceded to reinsurers	(337.6)	(298.2)	(1,347.5)	(1,210.7)	(1,142.0)	(1,216.7)	(1,209.9)
Net premiums earned	\$ 1,984.9	\$ 1,776.4	\$ 7,862.2	\$ 7,371.0	\$ 6,216.2	\$ 6,077.3	\$ 6,084.9
Interest and dividends	128.1	152.8	555.2	512.2	403.8	376.9	409.3
Share of profit of associates	27.1	9.9	24.2	172.9	105.7	96.7	15.0
Net gains (losses) on investments	(18.4)	(159.6)	(1,203.6)	(259.2)	1,736.2	(1,564.0)	642.6
Other revenue	615.9	407.0	2,061.6	1,783.5	1,556.0	958.0	871.0
	\$ 2,737.6	\$ 2,186.5	\$ 9,299.6	\$ 9,580.4	\$ 10,017.9	\$ 5,944.9	\$ 8,022.8
Expenses							
Losses on claims, gross	\$ 1,397.7	\$ 1,224.6	\$ 5,682.9	\$ 5,098.4	\$ 4,427.4	\$ 4,615.6	\$ 5,265.5
Losses on claims ceded to reinsurers	(232.4)	(205.8)	(964.3)	(712.0)	(633.1)	(945.3)	(1,022.9)
Losses on claims, net	\$ 1,165.3	\$ 1,018.8	\$ 4,718.6	\$ 4,386.4	\$ 3,794.3	\$ 3,670.3	\$ 4,242.6
Operating expenses	427.4	388.4	1,597.7	1,470.1	1,227.2	1,185.0	1,132.1
Commissions, net	390.8	318.0	1,336.4	1,177.3	959.9	969.2	920.0
Interest expense	70.6	55.2	242.8	219.0	206.3	211.2	208.2
Other expenses	583.3	402.0	1,958.4	1,703.1	1,492.3	910.3	870.9
	\$ 2,637.4	\$ 2,182.4	\$ 9,853.9	\$ 8,955.9	\$ 7,680.0	\$ 6,946.0	\$ 7,373.8
Earnings (loss) before income taxes	\$ 100.2	\$ 4.1	\$ (554.3)	\$ 624.5	\$ 2,337.9	\$ (1,001.1)	\$ 649.0
Provision for (recovery of) income taxes	24.9	20.8	(159.6)	(17.5)	673.3	(436.6)	114.0
Net earnings (loss)	\$ 75.3	\$ (16.7)	\$ (394.7)	\$ 642.0	\$ 1,664.6	\$ (564.5)	\$ 535.0
Attributable to:							
Shareholders of Fairfax	\$ 82.6	\$ (51.0)	\$ (512.5)	\$ 567.7	\$ 1,633.2	\$ (573.4)	\$ 526.9
Non-controlling interests	(7.3)	34.3	117.8	74.3	31.4	8.9	8.1
	\$ 75.3	\$ (16.7)	\$ (394.7)	\$ 642.0	\$ 1,664.6	\$ (564.5)	\$ 535.0
Net earnings (loss) per share	\$ 3.11	\$ (2.76)	\$ (24.18)	\$ 23.67	\$ 74.43	\$ (31.15)	\$ 22.95
Net earnings (loss) per diluted share	\$ 3.03	\$ (2.76)	\$ (24.18)	\$ 23.15	\$ 73.01	\$ (31.15)	\$ 22.68
Cash dividends paid per share	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
Shares outstanding (000) (weighted average)	23,079	22,530	23,017	22,070	21,186	20,360	20,327
Interest and preferred share dividend distribution coverage ⁽¹⁾	2.0x	0.8x	N/A	2.9x	9.0x	N/A	3.0x

(1)

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The ratio of earnings to fixed charges is referred to by Fairfax as Interest and preferred share dividend distribution coverage and is calculated as the sum of earnings (loss) before income taxes and interest expense divided by the sum of interest expense and preferred share dividend distributions adjusted to a pre-tax equivalent at Fairfax's Canadian statutory income tax rate. Earnings before income taxes and interest expense for the three months ended March 31, 2016, and for the years ended December 31, 2016 and 2013, would have had to be higher by \$11.0, \$614.2 and \$1,083.8, respectively, in order for the ratio to have been 1.0x in each of those periods.

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Selected Consolidated Balance Sheet Data	As at March 31,		As at December 31,				
	2017	2016	2016	2015	2014	2013	2012
	(\$ millions)						
Assets							
Holding company cash and investments	\$ 958.8	\$ 1,587.6	\$ 1,371.6	\$ 1,276.5	\$ 1,244.3	\$ 1,296.7	\$ 1,169.2
Insurance contract receivables	2,994.9	2,878.7	2,917.5	2,546.5	1,931.7	2,017.0	1,945.4
Portfolio investments	27,558.0	28,617.9	27,293.4	27,832.5	25,109.2	23,833.3	25,163.2
Deferred premium acquisition costs	720.8	584.7	693.1	532.7	497.6	462.4	463.1
Recoverable from reinsurers	4,039.3	4,006.2	4,010.3	3,890.9	3,982.1	4,974.7	5,290.8
Deferred income taxes	772.8	567.1	732.6	463.9	460.4	1,015.0	607.6
Goodwill and intangible assets	3,979.9	3,310.9	3,847.5	3,214.9	1,558.3	1,311.8	1,321.2
Other assets	2,767.9	1,892.2	2,518.4	1,771.1	1,347.6	1,088.1	984.9
Total assets	\$ 43,792.4	\$ 43,445.3	\$ 43,384.4	\$ 41,529.0	\$ 36,131.2	\$ 35,999.0	\$ 36,945.4
Liabilities							
Accounts payable and accrued liabilities	\$ 2,962.5	\$ 2,538.8	\$ 2,888.6	\$ 2,555.9	\$ 2,029.1	\$ 1,840.6	\$ 1,877.7
Income taxes payable	52.2	171.8	35.4	85.8	118.3	80.1	70.5
Short sale and derivative obligations	122.2	626.6	234.3	92.9	160.8	268.4	238.2
Funds withheld payable to reinsurers	405.4	383.8	416.2	322.8	461.5	461.2	439.7
Insurance contract liabilities	23,335.6	23,558.7	23,222.2	23,101.2	20,438.7	21,893.7	22,376.2
Borrowings holding company and insurance and reinsurance companies	3,902.3	3,467.9	3,908.0	3,067.5	3,042.4	2,949.8	2,996.0
Borrowings non-insurance companies	776.8	320.2	859.6	284.0	136.6	44.7	52.6
Total liabilities	\$ 31,557.0	\$ 31,067.8	\$ 31,564.3	\$ 29,510.1	\$ 26,387.4	\$ 27,538.5	\$ 28,050.9
Equity							
Total equity	\$ 12,235.4	\$ 12,377.5	\$ 11,820.1	\$ 12,018.9	\$ 9,743.8	\$ 8,460.5	\$ 8,894.5
Total liabilities and equity	\$ 43,792.4	\$ 43,445.3	\$ 43,384.4	\$ 41,529.0	\$ 36,131.2	\$ 35,999.0	\$ 36,945.4

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**SELECTED HISTORICAL
CONSOLIDATED FINANCIAL DATA OF ALLIED WORLD**

The following table sets forth selected historical consolidated financial data of Allied World under those accounting principles generally accepted in the United States (US GAAP). This data is derived from Allied World's Consolidated Financial Statements as of and for the years ended December 31, 2016, 2015, 2014, 2013 and 2012, the related Management's Discussion and Analysis of Financial Condition and Results of Operations for each annual period, and the unaudited quarterly financial statements as of and for the three months ended March 31, 2017 and 2016, which in the opinion of Allied World's management include all adjustments necessary for a fair statement of the results for the unaudited interim periods. This selected financial data should be read in conjunction with Allied World's Consolidated Financial Statements and related Notes included elsewhere in Allied World's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, and Allied World's quarterly report on Form 10-Q for the quarter ended March 31, 2017, each of which is incorporated by reference in this prospectus.

The information set out below is only a summary that you should read together with (i) the audited consolidated financial statements of Allied World and the notes thereto, and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, included in Allied World's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, and (ii) the unaudited quarterly financial statements of Allied World and the notes thereto, and the related Management's Discussion and Analysis of Financial Condition and Results of Operations on Form 10-Q filed with the SEC for the quarter ended March 31, 2017, each of which is incorporated by reference into this prospectus. The selected historical financial information of Allied World as at December 31, 2014, 2013 and 2012, have been derived from Allied World's audited consolidated financial statements for such years, which have not been incorporated by reference into this prospectus. The selected historical financial information of Allied World as of March 31, 2016 has been derived from Allied World's unaudited quarterly financial statements for the three months ended March 31, 2016, which have not been incorporated by reference into this prospectus. See the section Where You Can Find Additional Information.

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Allied World's consolidated financial statements are presented in accordance with US GAAP. For additional information, see Allied World's financial statements and the accompanying notes incorporated by reference into this prospectus.

	Three Months Ended March 31,			Year Ended December 31,			
	2017	2016	2016	2015	2014	2013	2012
(\$ millions except share and per share amounts)							
Summary Statement of Operations Data:							
Gross premiums written	\$ 860.9	\$ 863.5	\$ 3,065.8	\$ 3,093.0	\$ 2,935.4	\$ 2,738.7	\$ 2,329.3
Net premiums written	\$ 676.1	\$ 704.0	\$ 2,255.8	\$ 2,448.0	\$ 2,322.0	\$ 2,120.5	\$ 1,837.8
Net premiums earned	\$ 544.9	\$ 580.1	\$ 2,344.1	\$ 2,488.4	\$ 2,182.7	\$ 2,005.9	\$ 1,748.9
Net investment income	52.3	53.3	217.8	182.1	176.9	157.6	167.1
Net realized investment gains (losses)	40.7	18.9	2.1	(127.6)	89.0	59.5	306.4
Other income	1.3	0.6	12.4	3.5	2.1		
Total revenues	\$ 639.2	\$ 652.9	\$ 2,576.4	\$ 2,546.4	\$ 2,450.7	\$ 2,223.0	\$ 2,222.4
Net losses and loss expenses	359.0	372.4	1,501.8	1,586.3	1,199.2	1,123.2	1,139.3
Total expenses	561.4	577.7	2,330.2	2,456.7	1,929.9	1,795.2	1,711.0
Income before income taxes	\$ 77.8	\$ 75.2	\$ 246.2	\$ 89.7	\$ 520.8	\$ 427.8	\$ 511.4
Income tax (benefit) expense	(2.5)	1.1	(9.1)	5.8	30.5	9.8	18.4
Net income	\$ 80.3	\$ 74.1	\$ 255.3	\$ 83.9	\$ 490.3	\$ 418.0	\$ 493.0
Per Share Data:							
Basic earnings per share ⁽¹⁾	\$ 0.92	\$ 0.82	\$ 2.89	\$ 0.91	\$ 5.03	\$ 4.08	\$ 4.56
Diluted earnings per share ⁽¹⁾	\$ 0.90	\$ 0.81	\$ 2.84	\$ 0.89	\$ 4.92	\$ 3.98	\$ 4.43
Dividends paid per share ⁽¹⁾	\$	\$ 0.26	\$ 1.040	\$ 1.230	\$ 0.784	\$ 0.458	\$ 0.625
Shares outstanding (000) (weighted average)	87,291	90,255	88,276	92,530	97,538	102,465	108,171

	Three Months Ended March 31,			Year Ended December 31,			
	2017	2016	2016	2015	2014	2013	2012
Selected Ratios:							
Loss and loss expense ratio	65.9%	64.2%	64.1%	63.7%	54.9%	56.0%	65.1%
Acquisition cost ratio	14.1%	15.2%	14.5%	15.1%	13.5%	12.6%	11.8%
General and administrative expense ratio	19.1%	16.6%	17.6%	16.3%	16.8%	17.6%	17.6%