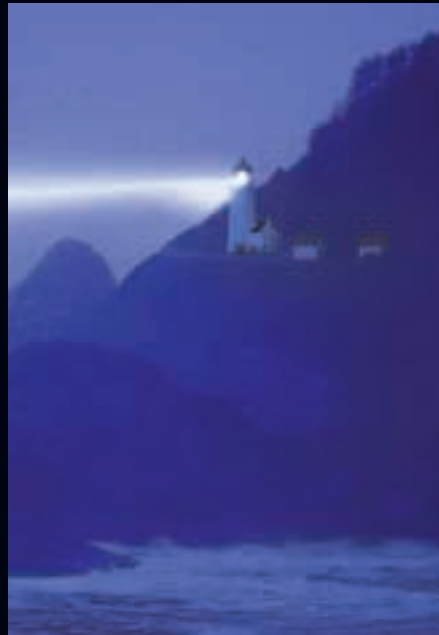


2000

Safe Journey



OdysseyRe

Safe Journey

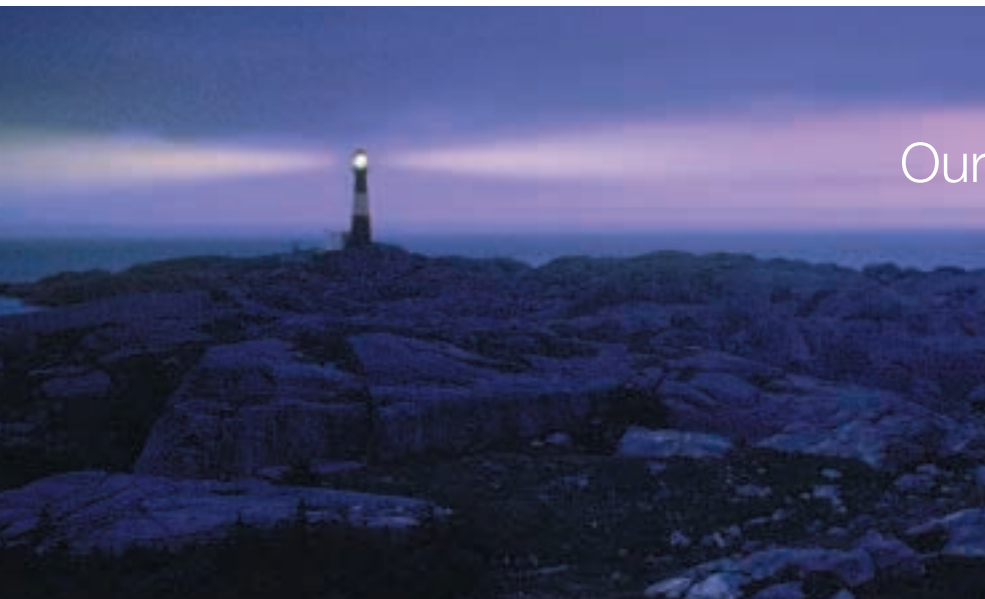
Odyssey America Re is a leading U.S. based underwriter of reinsurance, with \$958 million in shareholder's equity and an "A" (Excellent) rating from A.M. Best Company.

With over 350 employees, Odyssey America Re operates globally, under the banner of Odyssey Re. We underwrite treaty, program, and facultative reinsurance and provide primary insurance to clients through major underwriting centers in Stamford, New York, Paris, and London.

Our parent company, Fairfax Financial Holdings Limited, is a financial services holding company that is publicly traded on the Toronto Stock Exchange. With total assets of C\$32 billion, and C\$3.4 billion in shareholders' equity, Fairfax gives Odyssey Re the financial flexibility to be a highly focused underwriter and the ability to access a wide range of insurance and reinsurance services through Fairfax subsidiaries worldwide.

Table of Contents

Mission Statement	1
Financial Highlights	2
CEO's Letter	4
The Odyssey Edge	6
Odyssey Re at a Glance	9
Americas	10
EuroAsia	14
Newline	18
Management Discussion	22
Financial Statements	29
Company Directory	59



Our Mission

*Underwriting with discipline and vision,
we will focus strictly on underwriting
profitability, while diversifying our
ability to attract and retain quality risk
transfer business.*

Financial Highlights

Odyssey America Reinsurance Corporation and Subsidiaries

Selected Financial Highlights
for the periods ended December 31.
(in millions of U.S. Dollars)

Statements of Operations

GAAP Statements of Income Data (1):

	2000	1999
Gross Premiums Written	862.2	654.5
Net Premiums Written	701.3	502.6
Net Premiums Earned	681.8	508.4
Net Income	54.8	56.0

GAAP Balance Sheet Data:

Total Investments and Cash	2,641.6	2,603.2
Total Assets	4,254.1	4,079.7
Unpaid Losses and LAE	2,566.4	2,569.9
Total Stockholders' Equity	957.9	806.3

GAAP Selected Financial Ratios:

Loss and Loss Adjustment Expense Ratio	73.9%	75.5%
Underwriting Expense Ratio	36.9%	35.9%
Combined Ratio	110.8%	111.4%

Statutory Selected Combined Data (2):

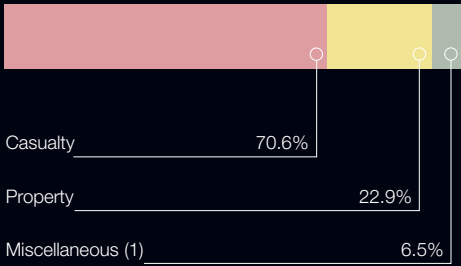
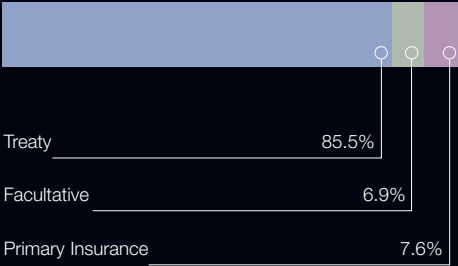
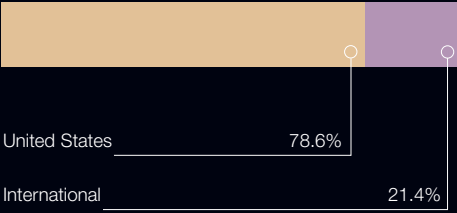
Loss and Loss Adjustment Expense Ratio	72.8%	86.7%
Underwriting Expense Ratio	36.1%	36.0%
Combined Ratio	108.9%	122.7%
Statutory Surplus	\$853.0	\$855.8
Ratio net premiums written to Statutory Surplus	0.71 X	0.64 X

(1) Represents ORC and subsidiaries for the full year and OARC and subsidiaries from acquisition date April 13, 1999.

(2) Includes ORC and subsidiaries and OARC for the full years of 1999 and 2000.

Odyssey Re's combined ratio for 2000 significantly outperformed the industry average.

2000 Gross Written Premiums \$862,166,000



(1) Primarily Marine & Aerospace and Surety

*What lies ahead? Change in
the structure of our markets
and in the risks we assume.*

Dear Clients and Friends,

You can't judge a book by its cover, but you can go a long way in judging a reinsurer by its numbers. Here are the ones we would put on our dust-jacket for the year 2000:

- 958 million dollars (of stockholders equity)
- 862 million dollars (of gross premiums written)
- 353 (employees)
- 108.9% (statutory combined ratio)
- 33% (increase in U.S. treaty submissions)
- 12 (offices)
- 10 (countries)
- 3 (business divisions: Americas, EuroAsia, and Newline Syndicate)



Andrew A. Barnard
President & Chief Executive Officer

These numbers were hard won. Over the last five years, we have been at the task of shaping and assimilating the acquired entities that comprise Odyssey Re. We can't have been an easy company to keep track of during that period! In fact, we used the challenge of integrating these companies to truly rationalize and improve our business model: to streamline our structure and expenses, deepen our underwriting acumen, and achieve an "A" (Excellent) Rating from A.M. Best.

We believe the current combination of talent, tenure and capital from Odyssey Re's acquisitions now represent a powerful, global reinsurer. It's not that global scale and reach are everything — they're not — but size increasingly matters in providing personalized and local service to our growing client base.

The last few years have seen numerous insurance and reinsurance brand names vanish in the market undertow, due mainly to one factor: poor underwriting. We are committed to achieving superior underwriting results, because that — in the long term — produces the balance sheet strength our clients ultimately depend upon.

We are pleased, therefore — though not satisfied — with Odyssey Re's improved underwriting performance amid this rapidly changing market. In 2000, our statutory combined ratio was 108.9%, contrasted with 122.7% in 1999. This result is a reflection of hundreds of distinct and often difficult underwriting decisions made across the company to move us toward our goal of underwriting profitability.

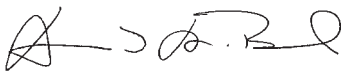
After several years of misplaced industry optimism that the bottom of the cycle had been reached, the recovery phase is finally underway. The turn is not a sharp one, however, and prudent and steady discipline is still the order of the day. Almost all lines and classes are affected differently, and a real recovery will take time. In our view, the ultimate fundamental remains underwriting profitability. Many think of this — like the gold standard — as an antiquated concept that has been superceded by intricate IRR and capital allocation models. While we don't ignore these models, neither do we allow them to distract us from our primary objective: to produce profits from our underwriting activities. Is this good for clients? We think it is. The return of rational pricing to the marketplace will result in a stronger industry.

Likewise, professionalism in discharging the obligations of reinsurance can only be proven over many years of performance. At Odyssey Re, we are proud to lay claim to many decades of the highest level of claims paying performance. And we're not about to change that.

We are focused on extending and sharing our underwriting expertise. There are many examples of what constitutes the "Odyssey Edge" — which collectively enables us to move knowledge and capital to support our clients' interests. We will discuss the Odyssey Edge further in this report.

What lies ahead? Undoubtedly, more years of rapid change in the structure of our markets, and the risks we assume. The new risks being created by the speed of fiber optics and the pace of biotechnology breakthroughs are impossible to evaluate today. We can't meet them by selling off-the-shelf products. We can however construct rational solutions, in the context of continuing relationships, to reduce the unpredictability of risks our clients face.

Finally, we owe our appreciation to Fairfax who supports us with consistency as well as capital. We remain deeply indebted to our employees, who, by doing their jobs very well, have helped create a strong and influential reinsurer. And to our brokers and clients we owe everything — and we look forward to serving you in the years ahead.

A handwritten signature in black ink, appearing to read "A. A. Barnard". The signature is fluid and cursive, with a large initial "A" and a stylized "B" at the end.

Andrew A. Barnard
President and Chief Executive Officer

The Odyssey Edge



Our journey in 2000 has led us to higher ground. Years of planning and building have paid off as Odyssey Re has emerged as a financially strong, cohesive global enterprise, well positioned to help clients and brokers maintain a steady and prosperous course in 2001, and beyond. You could say that the Odyssey Edge has been finally, finely honed. See for yourself why you should have Odyssey Re as a financial partner.

We don't shock easily...

Underwriting talent and tenure

Odyssey Re is a company rich in underwriting talent — 14 years is our underwriters' average experience. Our underwriters know what it takes to weather market fluctuations — hard, soft or in between. With a strict focus on client objectives and disciplined underwriting, they provide a safe harbor for clients in unpredictable waters.

We are an underwriting company, led by underwriters.

We make the grade...

Financial strength

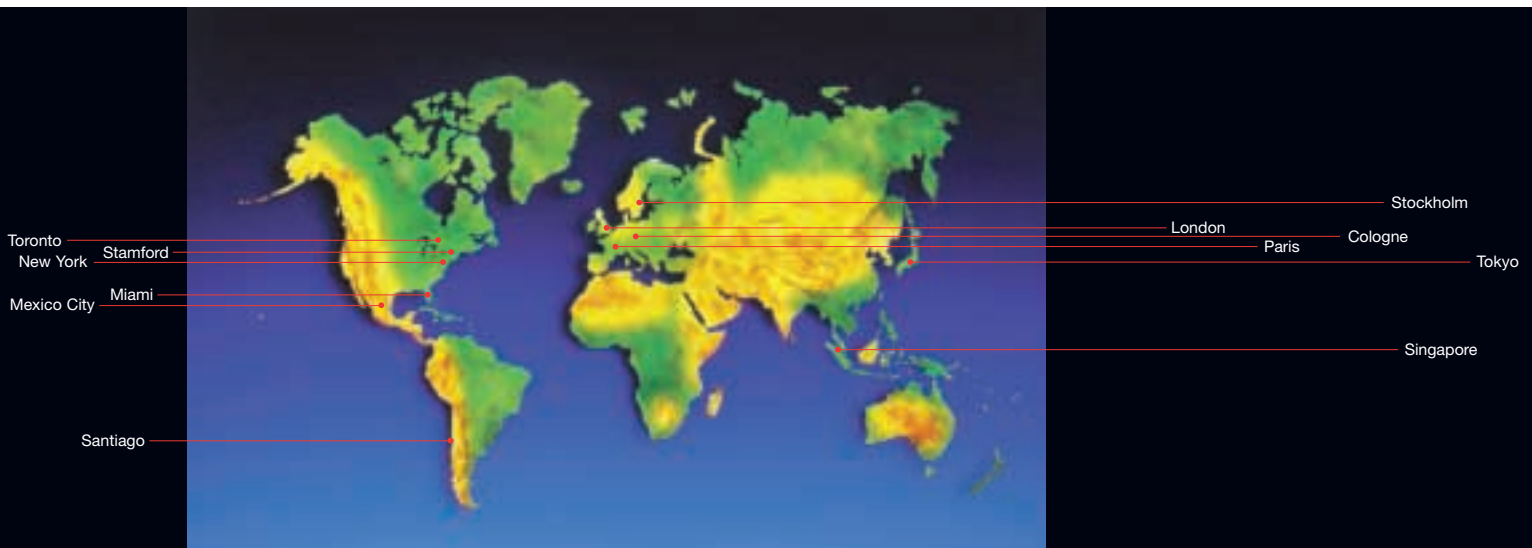
In 2001, A.M. Best affirmed Odyssey America Re's "A" (Excellent) rating. Noting the solidity of Odyssey America Re's operations, the rating agency emphasized our overall financial position, the financial flexibility of our parent, as well as our enhanced geographic and client diversification, large line capacity, broad product capability and client relationship focus.

Along with a sound overall financial position, Odyssey Re has a flexible, financially strong parent, large line capacity, and broad product capabilities.

We live the local markets.

Global network

With operations in most major insurance centers, we live the local markets, so we know the challenges our clients face...and we craft programs that address these challenges head on.



We focus on what you need, not what you do.

Underwriting expertise

We are steadfast about maintaining our underwriting focus — centering our technical practices on specific lines of business. This enables us to harness all of our energy and ingenuity to tailor solutions based on client needs.

Our journey transcends traditional borders: Odyssey Re's underwriting spans nearly every business segment and line of business.

We have the obligation and the opportunity to focus long-term.

Corporate backing

From our parent company, Fairfax, we draw expanded financial flexibility and an emphasis on long-term performance over short-term results. This nurtures our disciplined underwriting and reserving philosophies, and feeds even-handed performance over the longer-term. Our relationship with Fairfax also affords us access to joint venture opportunities, and group reinsurance protections.

We are fast-moving, yet readily accessible.

Responsive service

What is service? To some it's speed, to others critical knowledge. To still others, it is the ability to listen to the customer. To Odyssey Re, it is all of these. Seeking to forge durable relationships by providing exceptional service, we measure ourselves in terms of speed, knowledge delivered, and the effectiveness of our solutions in solving your business problems.

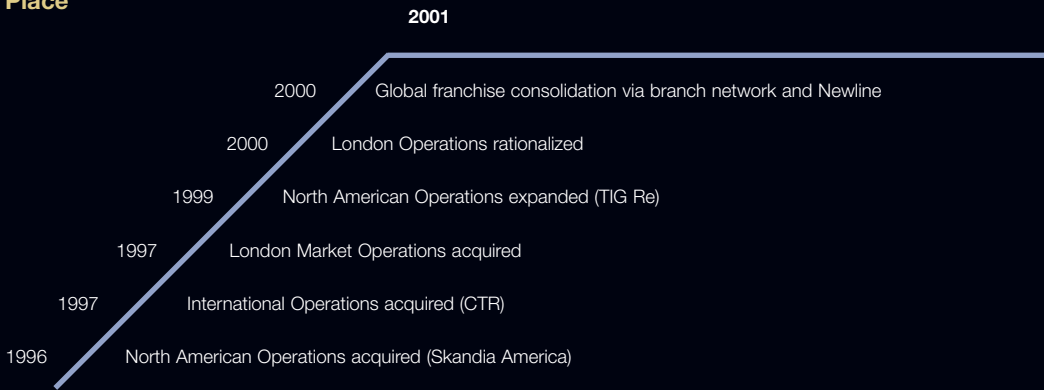
We keep in touch with customers through regular visits and audits that help cultivate long-lasting relationships, some of which go back 40 years. And we continually explore new ways to apply web-based technology to collaborate more closely and more efficiently with our clients and brokers.

We've arrived, safer and sounder, at our destination.

Strategic evolution

Through a series of strategic acquisitions and rationalizations, Odyssey Re Group has expanded and sharpened its capabilities over the past decade —and has evolved from a confederation of separate companies under common management to a cohesive integrated enterprise, with three operating divisions worldwide and one balance sheet.

**Strategic Evolution of Reinsurance Operations —
The Platform is in Place**



Odyssey Re at a Glance



Americas

The Americas Division is headquartered in Stamford, Connecticut, and operates from additional offices in New York, Miami, Toronto, Mexico City, and Santiago. Odyssey Re is a leader among U.S. broker market reinsurers, underwriting reinsurance on a treaty, facultative and program basis as well as providing specialty insurance underwriting and investment through Odyssey Strategic Solutions. There are 231 employees, including 55 underwriters in the Americas Division.



EuroAsia

The EuroAsia Division was formed in 2000 as part of the geographic realignment of our business. Headquartered in Paris, with offices in Cologne, London, Singapore, Stockholm and Tokyo, this group is responsive to underwriting opportunities in multiple markets through varied distribution channels. The EuroAsia Division employs a total of 57 people, including 34 underwriters.



London

Newline Syndicate (#1218) emerged as Lloyd's first fully integrated corporate vehicle in 1997. Newline Syndicate underwrites reinsurance and insurance business worldwide. Newline has 65 employees, including 21 underwriters. Its main businesses are financial products, international casualty, North American casualty, and marine/aerospace.

Americas

At long last, insurers have begun to wield some pricing power — but only after being pummeled by unfavorable results from years of inadequate rates. Prices are rising across many classes of insurance, yet prolonged underbidding has taken its toll. Several significant U.S. insurance companies have withdrawn or have been expelled from the market altogether. Many others are trying to stabilize their results with razor-thin margins. Meanwhile, loss costs escalate. The pressure is on to cost-effectively manage risk.



Odyssey Re is solidly positioned to help, having secured a strong foothold in the market by consistently taking the long view of the market. It is a philosophy we share with our parent company, Fairfax Financial Holdings Limited. As a result, we are prepared to provide ceding companies with rationally priced capacity for lines of business that others have walked away from.



Michael G. Wacek
President, Americas Division

We are a leading broker market reinsurer. Consolidation has left just a handful of internationally positioned brokerage firms and local, specialized intermediaries. The advocacy and global insights clients receive from these firms are an important complement to our underwriting expertise.

The pressure is mounting on insurers to cost-effectively manage risk.

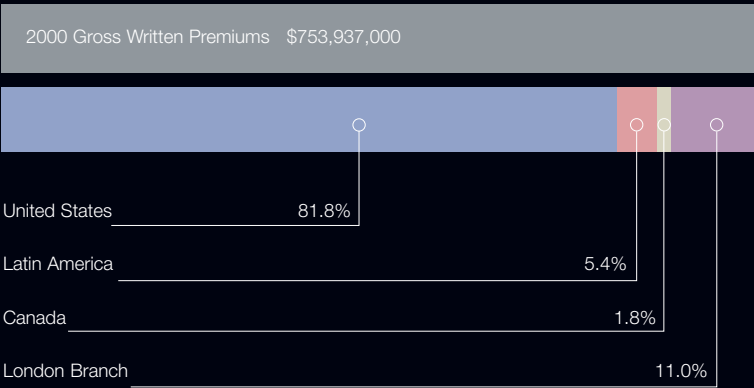
We are actively broadening Odyssey Re's offerings with new products to fulfill emerging client needs. One example: the need many clients have to protect against under-utilizing their excess programs. Our Reinsurance Utilization Protection product does that. Another example: for those insurers and TPAs that would feel the impact of unusually light U.S. natural perils insurance claims. Our Catastrophe Claims Drought product does that by mitigating losses resulting from a "claims drought."



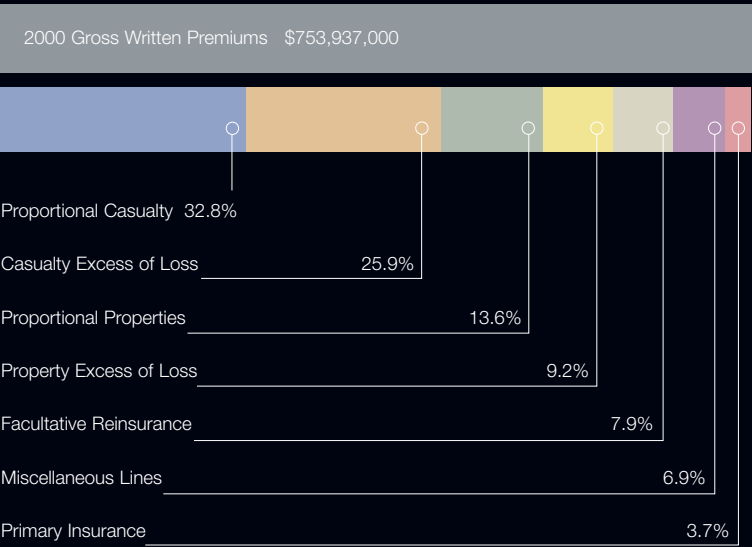
We work hard to support clients as they drive toward efficiency and as they seek to expand. Odyssey Strategic Solutions was created to provide small to mid-sized insurance organizations with access to underwriting capacity and investment capital. Our Hudson Insurance Company provides a synergistic resource for managing general agents seeking U.S.-admitted capacity for program business in 31 jurisdictions. Together, Odyssey Strategic Solutions and Hudson Insurance enable us to offer an integrated investment product and admitted insurance capability that combines capital with reinsurance underwriting opportunities.

Sharpening our ability to serve the facultative customer was another goal in 2000. This drove us to streamline and centralize our facultative underwriting expertise in a single, New York-based facultative operation. This facility gives brokers and clients a central base for corporate, buffer/working excess, and umbrella high-excess facultative risks.

Sources of Business



Lines of Business



Our spectrum of products, services and expertise puts us in high demand as a broker market lead — evidenced by a substantial increase in submissions in 2000.

EuroAsia

The magnitude of 1999's losses — including the high frequency of mid-sized catastrophes, European storms Lothar and Martin and facultative industrial losses — came into sharper focus in 2000. And it was not a pretty picture. As a result, by midyear 2000 across-the-board tightening of rates, terms and conditions was the norm in all markets — insurance, reinsurance and retrocessional. Major perils such as windstorm, earthquake and flood were under particular scrutiny. And rising reinsurance and retrocessional costs were universal.





Lucien Pietropoli
President, EuroAsia Division

During this period, clients in Europe and Asia found welcome refuge in Odyssey Re's "A" (Excellent) rating from A.M. Best, our strong capacity and statutory surplus, and our commitment to sound, sensible underwriting. This commitment was demonstrated by steps taken in 2000 that positioned Odyssey Re to continue to provide reliable solutions in an efficient manner.

We streamlined our European and Asian branch operations in Paris, London, and Singapore, while maintaining representative/agency contact offices in Cologne, Stockholm and Tokyo. These branch offices, which will renew selected programs of the \$126 million portfolio previously written by Compagnie Transcontinentale de Réassurance (CTR), represent an important final step in Odyssey Re's move to create a single, solid underwriting enterprise to support clients worldwide.





Our aim is to deliver high value service through underwriting non-proportional and proportional property and casualty reinsurance. We are also working with clients seeking to explore finite or financial reinsurance solutions in all shapes and sizes.

Our enduring client relationships are a strong signal that our strategies work.

Newline

Newline is the name of our fully integrated Syndicate at Lloyd's.

The heavy losses from satellite, marine and U.K. motor liability, coupled with the general deterioration of casualty results worldwide, are fuelling increased rates and improved terms across the lines we underwrite.



Odyssey Re is a strong advocate of balancing the advantages of Lloyd's entrepreneurial underwriting and global capacity with a disciplined corporate framework. And as Lloyd's service standards rise and underwriting becomes more sharply focused and tightly controlled, we are more committed than ever to this vital market.



David J. Newman
President and Active Underwriter

Illuminating this commitment, we took the opportunity in 2000 to center our underwriting in Newline Underwriting Management, Lloyd's Syndicate 1218. Doubling its capacity, the corporate syndicate now operates with a stamp capacity of £100 million, and is dedicated to four main areas where Newline offers clients quality and continuity.

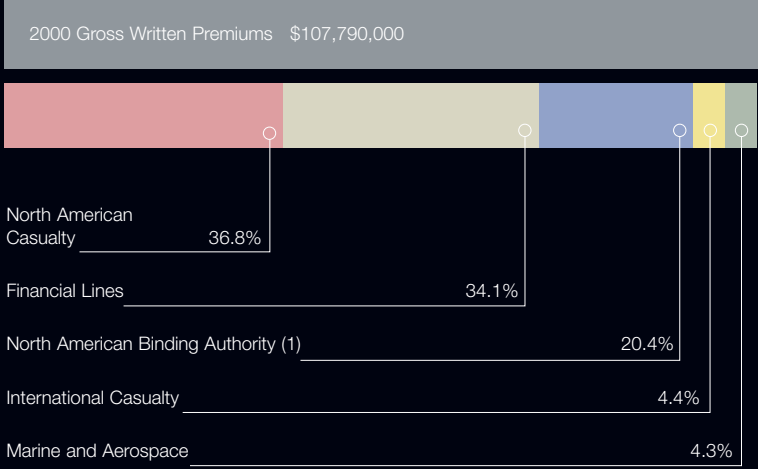
These areas include:

- Marine & Aerospace Treaty – consisting of space, U.K. marine and U.S. general aviation business.
- International Casualty Treaty – consisting of motor, claims-made/occurrence and accident business.
- North American Casualty Treaty – including medical malpractice and commercial auto risks.
- Financial Lines (direct and facultative) – encompassing directors & officers liability, financial institutions, crime coverage, professional indemnity, and U.K. general liability insurance.

The pressure is mounting on insurers to cost-effectively manage risk. Let us share the load.

This consolidated, focused operation enables us to respond swiftly, making decisions without the complex committee processes others undertake. We are well positioned to respond to clients' most pressing needs in 2001, including the heightening demand for D&O and satellite capacity and in other segments affected by a scarcity of underwriter interest or authority.





(1) Discontinued

Overview

We are a leading U.S.-based underwriter of reinsurance, providing a full range of property and casualty products on a worldwide basis. Our operating subsidiaries offer a broad range of both treaty and facultative reinsurance to property and casualty insurers and reinsurers. Treaty reinsurance involves the reinsurance of a specific line or class of business for an insurance company pursuant to an agreement, or treaty. Facultative reinsurance means that we reinsure a specific policy as opposed to a line or class of business. In addition to our underwriting expertise in property and casualty reinsurance, we write specialty and non-traditional lines of reinsurance, including professional liability and marine and aerospace.

On April 13, 1999 Fairfax purchased all of the common stock of Odyssey America and its subsidiaries. Our financial results for the year ended December 31, 1999 include results of Odyssey America from April 13, 1999, and consequently a comparison of these results to our results for other periods may not be particularly meaningful.

For the years ended December 31, 2000 and 1999, our gross premiums written were \$862.2 million and \$654.5 million, respectively, our net premiums written were \$701.3 million and \$502.6 million, respectively, and our net income was \$54.8 million and \$56.0 million, respectively. At December 31, 2000, we had total assets of \$4.3 billion and total stockholders' equity of \$957.9 million.

We operate our business through three divisions, the Americas, Newline Syndicate and EuroAsia divisions, which are based principally on geographic regions. We provide reinsurance and insurance either through brokerages or directly with cedants. The Americas division is comprised of four units, the United States, Canada, Latin America and the London Branch units. The Newline Syndicate division is comprised of our Lloyd's of London business. The EuroAsia division was formed in late 2000, and accordingly had no material written premiums in 2000. As part of the realignment of our business across geographic regions, business previously written by the London Branch unit is being written through the Newline Syndicate division, effective July 2000, and through the EuroAsia division, effective January 2001. The financial impact of the London Branch unit business written in prior periods will continue to be included in the Americas division. In addition, business previously written by Compagnie Transcontinentale de Réassurance ("CTR"), an affiliate, became available for renewal by the EuroAsia division beginning July 2000. In connection with the realignment, most of the underwriting and marketing staff of CTR was transferred to the EuroAsia division. Business renewed from the London Branch unit and CTR will be fully reflected in the EuroAsia division's results for 2001. In addition to renewal business transferred from the London Branch unit and renewal business of CTR, the EuroAsia division will include new business that it generates.

The property and casualty reinsurance and insurance industries use the combined ratio as a measure of underwriting profitability. The GAAP combined ratio is the addition of losses and loss adjustment expenses (LAE) incurred as a percent of net premiums earned plus underwriting expenses, which includes acquisition costs and other underwriting expenses, as a percent of net premiums earned. The combined ratio reflects only underwriting results, and does not include income from investments. Underwriting profitability is subject to significant fluctuations due to competition, catastrophic events, economic and social conditions, foreign currency fluctuations and other factors. Our combined ratio for the year ended December 31, 2000 was 110.8%, down from 111.4% for the year ended December 31, 1999.

Revenue

We derive our revenue from two principal sources: premiums from reinsurance assumed and insurance, net of premiums ceded (net premiums written) and income from investments. Net premiums written become earned (net premiums earned) as they are credited to revenue over the terms of the underlying contracts or certificates in force. The relationship between net premiums written and net premiums earned will, therefore, vary depending generally on the volume and inception dates of the business assumed and ceded and the mix of such business between proportional and excess of loss reinsurance.

Expenses

We determine our reserve for unpaid losses and loss adjustment expenses based on reports and individual case estimates received from ceding companies. We use generally accepted actuarial methodologies to determine a reserve for losses incurred but not reported (IBNR) on the basis of our historical experience and other estimates. We review the reserves continually and changes in estimates are reflected in the operating results of the period in which they become known. Accordingly, losses and loss adjustment expenses are charged to income in the calendar year they are incurred.

Our reserves for losses and loss adjustment expenses are estimates of amounts needed to pay reported and unreported claims and related loss adjustment expenses. The estimates are based on assumptions related to the ultimate cost to settle these claims. Our reserves for losses and loss adjustment expenses are determined in accordance with sound actuarial practices. However, the inherent uncertainties of estimating reserves are greater for reinsurers than for primary insurers, due to the diversity of development patterns among different types of reinsurance contracts and the necessary reliance on ceding companies for information regarding reported claims. As a result, we cannot be sure that our ultimate liability will not exceed amounts we have reserved.

Acquisition costs consist principally of commissions and brokerage expenses incurred on business written under reinsurance contracts or certificates and insurance policies. These costs are deferred and amortized over the period in which the related premiums are earned. Commission adjustments are accrued based on the underwriting profitability of the business produced. Deferred acquisition costs are limited to their estimated realizable value which considers anticipated losses and loss adjustment expenses and estimated remaining costs of servicing the contracts or certificates, all based on our historical experience.

Other underwriting expenses consist of cost of operations associated with our underwriting activities. These expenses include compensation, rent, and all other general expenses allocated to our underwriting activity and exclude any investment or claims related expenses

Results of Operations

Year Ended December 31, 2000 Compared to with Year Ended December 31, 1999

Gross premiums written. Gross premiums written for the year ended December 31, 2000 increased by \$207.7 million, or 31.7%, to \$862.2 million from \$654.5 million for the year ended December 31, 1999. The increase was due to the inclusion in 2000 of premiums written for the full year by Odyssey America compared to the inclusion in 1999 of premiums written from the date of April 13, 1999, the date it was acquired by Fairfax, to year end. The increase in premium volume is attributable to increases in the Americas division of \$141.7 million, or 23.1%, and the Newline Syndicate division of \$65.6 million, or 155%.

The increase in premiums in the Americas division is comprised of the inclusion of \$13.9 million Canadian branch business in 2000, an increase in the Latin American unit business of \$24.2 million, which commenced full-time operations upon completing the start-up of its business in 1999, and an increase in primary insurance activities of \$14.2 million. The remaining increase of \$89.4 million in the Americas division is comprised of increases in its treaty business of \$133.3 million, primarily specialty casualty, offset by decreases in its facultative casualty business of \$44.0 million.

The Newline Syndicate division's premium volume increase of \$65.6 million is comprised of increases in marine and aerospace of \$4.6 million and international casualty business of \$4.8 million, both categories previously written by the London Branch, as well as major increases in North American casualty business of \$30.4 million and financial lines of \$20.6 million and \$5.2 million in miscellaneous lines.

Ceded premiums written. Ceded premiums written for the year ended December 31, 2000 increased by \$8.9 million, or 5.9%, to \$160.8 million from \$151.9 million for the year ended December 31, 1999. The increase in ceded premiums written was primarily due to the increased costs of our existing reinsurance program, and the increase in our gross volume.

Net premiums written. Net premiums written for the year ended December 31, 2000 increased by \$198.7 million, or 39.5%, to \$701.3 million from \$502.6 million for the year ended December 31, 1999. Net premiums written represents gross premiums written less ceded premiums written.

Net premiums earned. Net premiums earned for the year ended December 31, 2000 increased by \$173.4 million, or 34.1%, to \$681.8 million from \$508.4 million for the year ended December 31, 1999. This increase was a result of the factors listed above, and reflects an increase in unearned premiums of \$19.5 million for the year ended December 31, 2000, as compared to a decrease in unearned premiums of \$5.8 million for the year ended December 31, 1999. This increase in unearned premiums is associated with the increase in net premiums written.

Net investment income. Net investment income for the year ended December 31, 2000 increased by \$5.4 million, or 4.5%, to \$126.6 million from \$121.2 million for the year ended December 31, 1999. Net investment yield was 4.6% in 2000 compared to 5.0% in 1999.

The increase in investment income before expenses is principally from interest on our fixed income securities of \$7.7 million, short term investments of \$4.4 million and increase in other invested assets of \$6.3 million, offset by the decrease in dividends on our equity securities of \$5.3 million.

Net realized investment gains. Net realized investment gains for the year ended December 31, 2000 increased by \$18.8 million to \$23.6 million from \$4.8 million for the year ended December 31, 1999. The increase in net realized gains in 2000 was primarily from our equity portfolio, which generated net gains of \$37.3 million offset by net realized losses on the fixed income securities and other investments. Included in net realized investments gains for the years ended December 31, 2000 and December 31, 1999 is \$11.4 million and \$2.1 million, respectively, of realized losses on the other than temporary write-down of certain fixed income and equity securities.

During the fourth quarter of 2000, as a result of a downgrade of two fixed income securities, we decided to write down the value of such securities resulting in a realized loss of \$11.4 million during 2000. During 1999, as a result of the fair value of two equity securities being significantly below cost for a continued period, the cost of such securities were written down to fair value resulting in a realized loss of \$2.1 million during 1999.

Other income, net. Other income, net is comprised of amortization of positive and negative goodwill and other income or expense items. The total of these items for the year ended December 31, 2000 was income of \$3.8 million as compared to income of \$11.6 million for the year ended December 31, 1999.

The major component of other income, net, is the amortization of goodwill which consists of the negative goodwill associated with the purchase of ORC amortized over a ten-year period at \$8.3 million per year, and the amortization of positive goodwill associated with the purchase of Odyssey America amortized over a ten-year period of \$2.5 million in 2000, and \$1.8 million in 1999, representing the period from the date of acquisition.

The negative goodwill resulting from the acquisition of ORC was primarily related to ORC's competitive positioning in the reinsurance market. ORC's future as a part of its former parent's group had been in doubt for several years prior to its acquisition by Fairfax. Its position in the market had declined significantly including a significant reduction in the business written. The negative goodwill reflects these factors and the significant investment of management time and systems changes required to strategically reposition ORC in the reinsurance market, the need to build a separate brand name and franchise value as OdysseyRe and the uncertainty of success in these efforts.

Losses and loss adjustment expenses. Losses and LAE for the year ended December 31, 2000 increased by \$119.6 million, or 31.2%, to \$503.5 million from \$383.9 million for the year ended December 31, 1999. The loss and LAE ratio for the year ended December 31, 2000 was 73.9% compared to 75.5% for the year ended December 31, 1999.

The decrease in the loss and LAE ratio in 2000, 73.9%, compared to 75.5% for 1999, is the result of a decrease in the loss and LAE ratio for the Americas division from 76.4% in 1999 to 72.6% in 2000, a decrease of 3.8 percentage points. This was offset by the increase in the loss and LAE ratio for the Newline Syndicate division of 83.7% in 2000 compared to 63.8% in 1999.

The loss and LAE ratio for the year ended December 31, 2000 was impacted by incidental catastrophe losses of \$6.9 million, contributing approximately 1.0% to the loss and LAE ratio. In addition, losses and LAE incurred were impacted by \$7.3 million, or 1.1%, to the loss and LAE ratio associated with reserve strengthening on the discontinued book of business written by the Newline Syndicate division. Losses and LAE incurred for the year ended December 31, 1999 include \$23.9 million for catastrophes, which contributed 4.7% to the loss and LAE ratio for the year ended December 31, 1999.

Acquisition costs. Acquisition costs for the year ended December 31, 2000 increased by \$61.8 million, or 45.2%, to \$198.6 million from \$136.7 million for the year ended December 31, 1999. The resulting acquisition ratio, acquisition expenses expressed as a percent of earned premium, was 29.1% for the year ended December 31, 2000 compared to 26.9% for the year ended December 31, 1999. The increase in acquisition costs in 2000 compared to 1999 reflects the inclusion of Odyssey America business for the full year of 2000 and increased volume activity for the Newline Syndicate division, as compared to the inclusion of Odyssey America business in 1999 since the date it was acquired. The increase in the acquisition ratio in 2000 compared to 1999 is the result of an increase in 2000 compared to 1999 in the amount of proportional treaty and facultative business with ceding commissions relative to the business without ceding commissions.

Other underwriting expenses. Other underwriting expenses for the year ended December 31, 2000 increased by \$7.5 million, or 16.3%, to \$53.3 million from \$45.8 million for the year ended December 31, 1999. The other underwriting expense ratio, expressed as a percent of premiums earned, was 7.8% for 2000 compared to 9.0% for 1999.

The increase in other underwriting expenses for 2000 compared to 1999 is attributable to the inclusion of Odyssey America for the full year of 2000 compared to the inclusion of Odyssey America in 1999 from its acquisition date of April 1999. The reduction in the expense ratio between 2000 and 1999 is primarily the result of the increase in net earned premium in 2000 compared to 1999.

Federal and foreign income tax provision. Federal and foreign income tax provision for the year ended December 31, 2000 increased by \$2.3 million, or 9.6%, to \$25.8 million from \$23.5 million for the year ended December 31, 1999.

The effective tax rates for the years ended December 31, 2000 and 1999 were 32.0% and 29.6%, respectively. The increase in the effective tax rate was due to the decrease in the dividend received deduction and tax exempt income in 2000 compared to 1999.

Net income. Net income for the year ended December 31, 2000 decreased by \$1.2 million, or 2.2%, to \$54.8 million from \$56.0 million for the year ended December 31, 1999.

Liquidity

We currently have no debt outstanding. In connection with the business of our Newline Syndicate division, we executed a letter of credit in favor of Lloyd's as is customary for those operating in the Lloyd's market. At December 31, 2000, the letter of credit was valued at £57.5 million, or \$85.9 million, and was secured by a pledge of \$95.6 million of our investment securities at statement value.

In March 2001, Fairfax authorized the sale of 26% of the Company's common stock to the public in an initial public offering. Of the \$279 million in total net proceeds from the offering, \$225 million will be paid to TIG and ORH Holdings, collectively, and \$54 million will be maintained by the Company. Immediately prior to the completion of this offering, we will issue \$200 million of three year term notes to subsidiaries of Fairfax. We will be required to make principal payments of \$66.7 million on June 30 of each year beginning June 30, 2002. We will pay interest on the term notes at a rate of 225 basis points over the three month LIBOR. We will have the right to repay the notes at anytime without bonus or penalty.

Cash Flow

Cash flows from operating activities resulted principally from premiums, collections on losses recoverable and investment income, net of paid losses, acquisition costs and underwriting expenses. Cash used in operations was \$113.6 million in 2000 and \$109.7 million in 1999.

Cash used in operations for underwriting activity increased in 2000 compared to 1999 principally for the payment of losses which exceeded premium collections in both 2000 and 1999. Net investment income was also lower in 2000 compared to 1999.

Total cash proceeds in 2000 from sales of investments were \$824.4 million compared to \$1,372.5 million in 1999. Much of the activity in 1999 was due to the Company's investment strategy to restructure the overall portfolio after the acquisition of Odyssey America in 1999. Cash and cash equivalents were \$154.5 million at December 31, 2000 and \$134.3 million at December 31, 1999. Cash and short term investments are maintained for liquidity purposes and represented 13.3% and 7.9% at December 31, 2000 and at December 31, 1999, respectively, of total financial statement investments and cash on such dates.

Stockholders' Equity

Stockholders' equity increased by \$151.5 million, or 18.8%, to \$957.9 million as of December 31, 2000 from \$806.3 million as of December 31, 1999. The increase was attributable to forgiveness of taxes due to our U.S. parent, Fairfax Inc., in conformity with our tax sharing agreement, resulting in a contribution to equity of \$45.9 million, an increase of \$135.9 million, principally representing the change in unrealized appreciation in our investment portfolio, net income of \$54.8 million in 2000 and offset by dividend payments of \$85.0 million in 2000.

Market Sensitive Instruments

We believe that we are principally exposed to four types of market risk related to our investment operations. These risks are interest rate risk, credit risk, equity price risk and foreign currency risk.

The term market risk refers to the risk of loss arising from adverse changes in market rates and prices, such as interest rates, equity prices and foreign currency exchange rates.

All market sensitive instruments discussed here relate to our investment assets which are classified as available for sale.

As of December 31, 2000, our \$2.6 billion investment portfolio was comprised of \$2.2 billion of fixed income securities that are subject primarily to interest rate risk and credit risk.

Interest Rate Risk

Our fixed income portfolio is exposed to interest rate risk. Fluctuations in interest rates have a direct impact on the market valuation of these securities. As interest rates rise, market values of fixed income portfolios fall and vice versa.

The table below displays the potential impact of market value fluctuations on the fixed income portfolio as of December 31, 2000 based on parallel 200 basis point shifts in interest rates up and down in 100 basis points increments. This analysis was performed on each security individually.

Percent Change in Interest Rates	Fair Value of Fixed Income Portfolio	Hypothetical \$ Change	Hypothetical % Change
		(in millions)	
200 basis point rise	\$1,889.9	(229.3)	(10.8)%
100 basis point rise	1,998.9	(120.3)	(5.7)
Base Scenario	2,119.2	—	—
100 basis point decline	2,320.4	201.2	9.5
200 basis point decline	2,573.1	453.9	21.4

The preceding table indicates an asymmetric market value response to equivalent basis point shifts, up and down in interest rates. This reflects significant exposure to fixed income securities containing a put feature. In total these securities represent approximately 47% of the fair market value of the total fixed income portfolio at December 31, 2000. The asymmetric market value response reflects our ability to put these bonds back to the issuer for early maturity in a rising interest rate environment (thereby limiting market value loss) but to hold these bonds to their much longer full maturity dates in a falling interest rate environment (thereby maximizing the full benefit of higher market values in that environment).

Disclosure about Limitations of Interest Rate Sensitivity Analysis

Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including the maintenance of the existing level and composition of fixed income security assets, and should not be relied on as indicative of future results.

Certain shortcomings are inherent in the method of analysis presented in the computation of the fair value of fixed rate instruments. Actual values may differ from those projections presented should market conditions vary from assumptions used in the calculation of the fair value of individual securities, including non-parallel shifts in the term structure of interest rates and changing individual issuer credit spreads.

Credit Risk

We have exposure to credit risk primarily as a holder of fixed income securities. We control this exposure by emphasizing investment grade credit quality in the fixed income securities we purchased.

At December 31, 2000, 98.4% of our fixed income portfolio consisted of securities rated investment grade, with 1.6% rated below investment grade.

We believe that this concentration in investment grade securities reduces our exposure to credit risk on these fixed income investments to an acceptable level.

Equity Price Risk

As of December 31, 2000, 5.2% of our investment portfolio, including cash and cash equivalents, was in common stocks (unaffiliated and affiliated). Marketable equity securities, which represented approximately 3.4% of our investment portfolio, including cash and cash equivalents, are exposed to equity price risk, defined as the potential for loss in market value owing to a decline in equity prices. A 10% decline in the price of each of these marketable equity securities would result in a total \$8.9 million decline at December 31, 2000 in the fair value of the total investment portfolio.

Foreign Currency Risk

Through investment in securities denominated in foreign currencies, we are exposed to foreign (non-U.S.) currency risk. Foreign currency exchange rate risk is the potential for loss in market value owing to a decline in the U.S. dollar value of these investments due to a decline in the exchange rate of the foreign currency in which these assets are denominated. As of December 31, 2000, our total exposure to foreign denominated securities in U.S. dollar terms was approximately \$169 million or 6.4%, of our investment portfolio, including cash and cash equivalents. The primary foreign currency exposure was in Canadian dollar denominated securities, which represented 6.1% of our investment portfolio, including cash and cash equivalents. As of December 31, 2000, the potential impact of a 10% decline in each of the foreign exchange rates on the valuation of investment assets denominated in those respective foreign currencies would result in a total \$17 million decline in the fair value of the total investment portfolio.

Included above in securities denominated in foreign currencies are Japanese yen denominated securities which at December 31, 2000 had a U.S. dollar equivalent market value of \$5 million. We previously entered into a Japanese yen forward sale contract to hedge against a fall in value of the yen denominated securities versus the U.S. dollar. The yen forward contract is for an amount of 650 million yen at a forward rate of 96.7 yen or a U.S. dollar equivalent amount of \$7 million. We believe that any foreign currency fluctuation in its Japanese investments will not have a material effect on the financial statements.

Accounting Standards

In June 1998, the FASB issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities". This statement establishes accounting and reporting standard for derivative instruments, including certain instruments embedded in other contracts. It requires that all derivatives be recognized as either assets or liabilities on the balance sheet and measured at fair value. Gains or losses from changes in the derivative values are to be accounted for based on how the derivative was used and whether it qualifies for hedge accounting. The implementation of this standard does not have a material impact on our financial position, results of operations or cash flow. The statement is required for fiscal periods beginning after June 15, 2000.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
Odyssey America Reinsurance Corporation and Subsidiaries:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Odyssey America Reinsurance Corporation and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
New York, New York
March 23, 2001

except for Note 16 as to which
the date is May 29, 2001

ODYSSEY AMERICA REINSURANCE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31,

(In thousands, except share amounts)

ASSETS	2000	1999
Investments:		
Fixed income securities at fair value (amortized cost \$2,155,361 and \$2,349,867, respectively)	\$2,119,226	\$2,121,782
Equity securities:		
Common stocks, unaffiliated, at fair value (cost \$49,558 and \$183,993, respectively)	54,527	172,848
Common stocks, affiliated, at equity (cost \$81,831 and \$73,202, respectively)	83,338	71,577
Short-term investments, at cost which approximates fair value	196,562	70,999
Other invested assets (cost \$35,309 and \$33,697, respectively)	33,435	31,706
Total investments	2,487,088	2,468,912
Cash and cash equivalents	154,527	134,330
Investment income due and accrued	28,436	26,326
Reinsurance balances receivable	287,587	277,737
Reinsurance recoverable on loss payments	40,973	16,522
Reinsurance recoverable on unpaid losses	899,629	738,368
Prepaid reinsurance premiums	31,488	28,054
Funds held by ceding insurers	46,324	43,738
Deferred acquisition costs	59,948	56,681
Current federal and foreign income taxes	12,999	44,957
Deferred federal and foreign income taxes	173,619	202,840
Other assets	31,485	41,261
Total assets	\$4,254,103	\$4,079,726
LIABILITIES		
Unpaid losses and loss adjustment expenses	\$2,566,396	\$2,569,895
Unearned premiums	251,031	225,153
Reinsurance balances payable	61,520	77,872
Funds held under reinsurance contracts	319,249	305,818
Other liabilities	98,032	94,652
Total liabilities	3,296,228	3,273,390
STOCKHOLDERS' EQUITY		
Common stock, \$300 par value; 33,500 shares authorized; 20,875 shares issued and outstanding	6,262	6,262
Additional paid-in capital	914,438	868,568
Accumulated other comprehensive loss, net of deferred income taxes	(17,990)	(153,868)
Retained earnings	55,165	85,374
Total stockholders' equity	957,875	806,336
Total liabilities and stockholders' equity	\$4,254,103	\$4,079,726

See accompanying notes.

ODYSSEY AMERICA REINSURANCE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

Years Ended December 31,

(In thousands, except share amounts)

REVENUE	2000	1999
Gross premiums written	\$862,166	\$654,518
Ceded premiums written	160,832	151,896
Net premiums written	701,334	502,622
(Increase) decrease in unearned premiums	(19,503)	5,786
Net premiums earned	681,831	508,408
Net investment income	126,593	121,169
Net realized investment gains	23,611	4,783
Other income, net	3,839	11,586
Total revenue	835,874	645,946
EXPENSES		
Losses and loss adjustment expenses	503,464	383,883
Acquisition costs	198,570	136,731
Other underwriting expenses	53,254	45,772
Total expenses	755,288	566,386
Income before income taxes	80,586	79,560
Federal and foreign income tax provision (benefit):		
Current	22,587	(2,883)
Deferred	3,208	26,409
Total federal and foreign income tax provision	25,795	23,526
NET INCOME	\$54,791	\$56,034
Average shares outstanding	20,875	17,581
Basic earnings per share	\$2,625	\$3,187
COMPREHENSIVE INCOME		
Net income	\$54,791	\$56,034
Other comprehensive income (loss), net of tax	135,878	(163,097)
Comprehensive income (loss)	\$190,669	\$(107,063)

See accompanying notes.

ODYSSEY AMERICA REINSURANCE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended December 31,

(In thousands, except share amounts)

COMMON STOCK	2000	1999
Balance, beginning of year	\$6,262	\$5,010
Issuance of shares	—	1,252
Balance, end of year	6,262	6,262
ADDITIONAL PAID-IN CAPITAL		
Balance, beginning of year	868,568	222,912
Acquisition of Odyssey America	—	645,656
Capital contribution	45,870	—
Balance, end of year	914,438	868,568
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF DEFERRED INCOME TAXES		
Balance, beginning of year	(153,868)	9,229
Net increase (decrease) during the year	135,878	(163,097)
Balance, end of year	(17,990)	(153,868)
RETAINED EARNINGS		
Balance, beginning of year	85,374	147,640
Net income	54,791	56,034
Dividends	(85,000)	(118,300)
Balance, end of year	55,165	85,374
TOTAL STOCKHOLDERS' EQUITY	\$957,875	\$806,336
COMMON SHARES (SHARES OUTSTANDING)		
Balance, beginning of year	20,875	16,700
Issued during period	—	4,175
Balance, end of year	20,875	20,875

See accompanying notes.

ODYSSEY AMERICA REINSURANCE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,

(In thousands)

OPERATING ACTIVITIES	2000	1999
Net income	\$54,791	\$56,034
Adjustments to reconcile net income to net cash used		
In operating activities:		
Reinsurance balances and funds held, net	(39,808)	37,215
Unearned premiums	22,444	(871)
Unpaid losses and loss adjustment expenses	(164,760)	(228,936)
Federal and foreign income taxes	35,166	16,914
Other assets and liabilities, net	11,259	26,700
Deferred acquisition costs	(3,267)	(2,146)
Net realized investment gains	(23,611)	(4,783)
Bond premium amortization, net	(5,767)	(9,797)
Net cash used in operating activities	(113,553)	(109,670)
INVESTING ACTIVITIES		
Maturities of fixed income securities	23,885	42,016
Sales of fixed income securities	645,946	1,354,852
Purchases of fixed income securities	(482,599)	(997,847)
Sales of equity securities	178,489	17,624
Purchases of equity securities	(17,681)	(148,849)
Purchases of other invested assets	(3,727)	—
(Increase) decrease in short-term investments	(125,563)	23,933
Odyssey America cash and cash equivalents acquired	—	13,927
Net cash provided by investing activities	218,750	305,656
FINANCING ACTIVITIES		
Dividends to parents	(85,000)	(118,300)
Net cash used in financing activities	(85,000)	(118,300)
Increase in cash and cash equivalents	20,197	77,686
Cash and cash equivalents, beginning of year	134,330	56,644
Cash and cash equivalents, end of year	\$154,527	\$134,330
Supplemental disclosures:		
Capital contribution	\$45,870	\$ —

On April 13, 1999, Fairfax purchased all of the capital stock of Odyssey America. In conjunction with the acquisition, the fair value of assets acquired was \$2.7 billion and liabilities was \$2.0 billion. This acquisition had no effect on the cash flow of the Company, refer to note 2 of the notes to the consolidated financial statements.

[See accompanying notes.](#)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Basis of Presentation

Odyssey America Reinsurance Corporation (the “Company” or “Odyssey America”) is a Connecticut domiciled reinsurance company. The Company is 80% directly owned by TIG Insurance Company (“TIG Insurance”), a California domiciled insurance company, and 20% owned by Odyssey Re Holdings Inc., (“Holdings”) a Delaware holding company. TIG Insurance owns 97.5% of Holdings. TIG Insurance and Holdings are both wholly owned by Fairfax Financial Holdings Limited (“Fairfax”), a Canadian financial services holding company, which is publicly traded on The Toronto Stock Exchange. The Company is principally engaged in the business of property and casualty reinsurance.

The consolidated financial statements, which include all the costs of doing business (See Note 5 – Related Party Transactions) are prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of the Company and its wholly owned subsidiaries, Odyssey Reinsurance Corporation (“ORC”), TIG Re UK Holdings Corporation (“UK Holdings”), a holding company for a Lloyd’s of London (“Lloyd’s”) Syndicate, Newline Underwriting Management Limited, (“Newline”), and Hudson Insurance Company (“Hudson”).

The consolidated financial statements, include the results of operations and financial position of the subsidiaries from the date of acquisition by Fairfax and reflect the capitalization of the Company retroactive to the beginning of the earliest period presented. Refer to Note 2 (j) for a discussion of the acquisition of ORC and Note 2 (l) for OARC.

As discussed in Note 16, in March 2001 Fairfax authorized the sale of 26% of the common stock of OdysseyRe Holdings Corp. (“OdysseyRe”), a newly formed holding company, to the public in an initial public offering. Concurrent with that offering, OdysseyRe will acquire the Company and its subsidiaries for cash of \$225 million, a term note of \$200 million and 48,000,000 shares of OdysseyRe common stock. That acquisition will be accounted for at historical cost in a manner similar to a pooling of interests. As a result, the accompanying historical financial statements of the Company will become the historical financial statements of OdysseyRe. All intercompany accounts and transactions are eliminated in consolidation. The consolidated financial statements are expressed in United States dollars.

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions, which could differ from actual results, that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities.

2. Summary of Significant Accounting Policies

Significant accounting policies followed by the Company are summarized below:

(a) All of the Company’s fixed income securities, which include bonds and notes; and equity securities, which include common stocks, are categorized as “available for sale”, and are recorded at their fair value based on quoted market prices. Unrealized appreciation or depreciation of the Company’s fixed income and equity securities, net of applicable deferred income taxes, is included in other comprehensive income. Unrealized losses which are deemed other than temporary are charged to operations. Short-term investments are carried at cost, which approximates fair value.

Realized investment gains or losses are determined on the basis of average cost. Investment income is recorded as earned.

Other invested assets include limited partnerships and are accounted for under the equity method for investments in which the Company owns greater than 3%; otherwise the cost method is used. Other invested assets also include benefit plan trust accounts which are carried at fair value.

Common stocks of affiliates are accounted for under the equity method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(b) Premiums are earned (net of reinsurance ceded) over the terms (typically one year) of the related insurance policies and reinsurance contracts or certificates. Unearned premium reserves are established for the unexpired portion of insurance policies and reinsurance contracts or certificates. Such unearned premium reserves are computed by pro rata methods based on statistical data or reports received from ceding companies. Premium estimates are based on statistical and other data with subsequent adjustments recorded in the period they become known. Premium adjustments on deposit contracts and audit premiums are accrued on an estimated basis throughout the contract or policy term. Prepaid reinsurance premiums are reported as assets.

(c) Acquisition costs (net of acquisition costs ceded), consisting principally of commissions and brokerage expenses incurred on business written under insurance policies and reinsurance contracts or certificates which are serviced by ceding companies, are deferred and amortized over the period in which the related premiums are earned. Commission adjustments are accrued based on premiums and losses recorded by the Company. Deferred acquisition costs are limited to their estimated realizable value which considers anticipated losses and loss adjustment expenses and estimated remaining costs of servicing the contracts or certificates, all based on historical experience. Realizability is determined without consideration of investment income.

(d) The net assets acquired in excess of purchase price (ORC) and the purchase price in excess of net assets acquired (Odyssey America) are each amortized on a straight line basis over 10 years.

(e) The reserve for unpaid losses and loss adjustment expenses is based on reports and individual case estimates received from ceding companies. Generally accepted actuarial methodologies are utilized to determine a reserve for losses incurred but not reported on the basis of historical experience and other estimates. The reserves are reviewed continually during the year and changes in estimates are reflected in operating results currently. Accordingly, losses and loss adjustment expenses are charged to income as incurred. Reinsurance recoverables on unpaid losses and loss adjustment expenses are reported as assets. The Company discounts its workers' compensation loss and loss adjustment expense reserves on a tabular basis.

The reserves for losses and loss adjustment expenses are estimates of amounts needed to pay reported and unreported claims and related loss adjustment expenses. The estimates are based on assumptions related to the ultimate cost to settle such claims. The Company's reserves for losses and loss adjustment expenses are determined in accordance with sound actuarial practices and management believes that such reserves are adequate. The inherent uncertainties of estimating reserves are greater for reinsurers than for primary insurers, due to the diversity of development patterns among different types of reinsurance contracts and the necessary reliance on ceding companies for information regarding reported claims. As a result, there can be no assurance that the ultimate liability will not exceed amounts reserved with a resulting adverse effect on the Company.

(f) The Company, and its United States subsidiaries, are included in the federal income tax return as part of a consolidated tax group with Fairfax Inc. and its other eligible subsidiaries. The federal income tax provision is allocated to each of the companies in the consolidated group, pursuant to a written agreement, on the basis of each company's separate return taxable income.

Deferred federal income taxes are provided for temporary differences between the financial statement and tax bases assets and liabilities. Such differences relate principally to deferred acquisition costs, unearned premiums and unpaid losses and loss adjustment expenses.

(g) The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(h) The Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivatives Instruments and Hedging Activities. This statement establishes accounting and reporting standards for derivative instruments, including certain instruments embedded in other contracts. It requires that all derivatives be recognized as either assets or liabilities in the balance sheet and measured at fair value. Gains or losses from changes in the derivative values are to be accounted for based on how the derivative was used and whether it qualifies for hedge accounting.

The statement is effective for fiscal year beginning after June 15, 2000. The Company will adopt this standard effective January 1, 2001. The implementation of this standard does not have a material effect on the financial position or results of operations or cash flow of the Company.

(i) The Company has identified its operating segments to reflect the way that management monitors and evaluates the Company's financial performance. The Company operates in three segments: Americas, EuroAsia and Newline. The presentation of segments for 2000 and 1999 is reflected in Note 15.

(j) On May 31, 1996, Fairfax acquired all of the common stock of ORC (formerly Skandia America Reinsurance Corporation) and its wholly owned subsidiaries for \$227.9 million. The acquisition was accounted for as a purchase and on May 31, 1996, ORC had \$2,168.9 million of assets and \$1,857.4 million of liabilities resulting in net assets acquired in excess of purchase price (negative goodwill) of \$83.5 million at the date of acquisition. Included in other liabilities in the consolidated balance sheets is the unamortized balance of net assets acquired in excess of purchase price of \$45.2 million and \$53.6 million at December 31, 2000 and 1999, respectively, related to this acquisition. Amortization of net assets acquired in excess of purchase price of \$8.3 million is included in other income, net for the years ended December 31, 2000 and 1999.

The Company recorded the following purchase price adjustments, gross of tax, at the date of acquisition related to ORC. A liability of \$19.6 million related to unfavorable lease costs (the lease rental cost was unfavorable compared to the cost of comparable office space at the time of the acquisition) and \$2.3 million of restructuring costs. In addition, ORC wrote-off \$5.9 million of furniture and fixtures and leasehold improvements at purchase date against the negative goodwill. There were no other significant non-current assets at the acquisition date. A deferred tax asset related to these adjustments of \$9.7 million was recorded in the balance sheet at the date of purchase.

(k) The Company translates the financial statements of Newline to United States dollars by translating balance sheet accounts at the balance sheet date exchange rate and income statement accounts at the average exchange rate for the year. Translation gains or losses are recorded, net of deferred income taxes, as a component of comprehensive income.

(l) On April 13, 1999, Fairfax acquired all of the common stock of Odyssey America (formerly TIG Reinsurance Company) and its wholly owned subsidiaries, UK Holdings and Newline for \$646.9 million. This acquisition was accounted for as a purchase. The purchase price has been allocated to assets acquired (\$2,640.9 million) and liabilities assumed (\$2,019.2 million) based on estimated fair market value at the date of acquisition with the balance of \$25.2 million recorded as goodwill which is being amortized over 10 years on a straight-line basis. Purchase price in excess of net assets acquired of \$20.9 million and \$23.4 million at December 31, 2000 and 1999, respectively, is reflected in other assets in the consolidated balance sheets. Amortization of purchase price in excess of net assets acquired of \$2.5 million and \$1.8 million for the years ended December 31, 2000 and 1999, respectively, is included in other income, net in the consolidated statements of operations. The operating results of Odyssey America, UK Holdings and Newline have been included in the consolidated statements of operations from the date of acquisition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The table below reflects unaudited pro forma combined results of the Company as if the acquisition had taken place at the beginning of 1999:

	(Unaudited)
(in millions)	1999
Revenue	\$ 772.6
Net earnings	26.7

Pro forma earnings per average share is \$1,519 per share. In management's opinion, these unaudited pro forma amounts are not necessarily indicative of what the actual combined results of operations might have been if the acquisitions had been effective at the beginning of 1999.

(m) Basic earnings per share are calculated by dividing net income by the weighted average number of common shares outstanding.

(n) Payments of claims made by the Company as a reinsurer to the broker due to a reinsured company are recorded on the Company's books as a paid loss at the time the cash is disbursed. The payment is treated as a paid claim to the reinsured. Premiums due the Company from the reinsured are recorded as receivables from the reinsured until the cash is received by the Company either directly from the reinsured or from the broker.

(o) Funds held under reinsurance treaties is an account used to record a liability from a deposit from a reinsurer or withholding of a portion of the premiums due as a guarantee that a reinsurer will meet its loss and other obligations. Interest generally accrues on withheld funds in accordance with contract terms.

3. Investments

The composition of the investment portfolio, which is carried at fair value, as of December 31, 2000 follows (in thousands):

	Cost or Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Fair Value
Fixed income securities:				
Bonds				
United States government and government agencies and authorities	\$ 1,078,581	\$ 11,076	\$ 10,156	\$1,079,501
States, municipalities and political subdivisions	12,484	178	200	12,462
Foreign governments	40,774	1,078	229	41,623
Public utilities	419,724	97	14,911	404,910
All other corporate	603,798	3,994	27,062	580,730
Total fixed income securities	2,155,361	16,423	52,558	2,119,226

ODYSSEY AMERICA REINSURANCE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

	Cost or Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Fair Value
Equity securities:				
Common stocks				
Banks, trusts and insurance companies	35,415	6,483	1,665	40,233
Industrial, miscellaneous and all other	14,143	2,935	2,784	14,294
Total common stocks, unaffiliated	49,558	9,418	4,449	54,527
Short-term investments:				
United States government	161,299	—	—	161,299
All other	35,263	—	—	35,263
Total short-term investments	196,562	—	—	196,562
Total investments	\$2,401,481	\$25,841	\$57,007	\$2,370,315

The composition of the investment portfolio, which is carried at fair value, as of December 31, 1999 follows (in thousands):

Fixed income securities:

Bonds

United States government and government agencies and authorities	\$1,414,706	\$570	\$149,189	\$1,266,087
States, municipalities and political subdivisions	33,059	10	1,227	31,842
Foreign governments	11,867	13	691	11,189
Public utilities	409,314	—	33,357	375,957
All other corporate	480,921	328	44,542	436,707
Total fixed income securities	2,349,867	921	229,006	2,121,782

Equity securities:

Common stocks

Banks, trusts and insurance companies	141,034	4,732	24,242	121,524
Industrial, miscellaneous and all other	42,959	9,938	1,573	51,324
Total common stocks, unaffiliated	183,993	14,670	25,815	172,848

Short-term investments:

United States government	49,873	—	—	49,873
All other	21,126	—	—	21,126
Total short-term investments	70,999	—	—	70,999
Total investments	\$2,604,859	\$15,591	\$ 254,821	\$2,365,629

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The fair value of fixed income and equity securities are based on the quoted market prices of the investments as of the close of business on December 31 of the respective years.

The amortized cost and fair value (both in thousands) of fixed income securities as of December 31, 2000, by contractual maturity, are shown below. Actual maturities may differ from maturities shown below due to the existence of call features or put features. In the case of securities that are subject to early call by the issuer, the actual maturity will be shorter than the contractual maturity used below if the issuer exercises its call feature. Total securities subject to call represent 3% of total fair value. In the case of securities containing put features, the actual maturity shown below will be longer than the put date maturity used below if the investor elects not to exercise its put feature but to hold the security to its final maturity date. Total securities containing the put feature represent 47% of total fair value (in thousands).

	Amortized Cost	Fair Value
Due in one year or less	\$15,480	\$15,198
Due after one year through five years	361,974	362,109
Due after five years through ten years	1,578,407	1,562,541
Due after ten years	199,500	179,378
Total fixed income	\$2,155,361	\$2,119,226

The components of net investment income for the years ended December 31, 2000 and 1999 follows (in thousands):

	2000	1999
Interest on fixed income securities	\$131,687	\$124,012
Dividends on equity securities	4,839	10,167
Interest on short-term investments	11,530	7,096
Other	7,416	1,143
Gross investment income	155,472	142,418
Investment expenses	5,963	4,334
Interest on funds held under reinsurance contracts	22,916	16,915
Net investment income	\$126,593	\$121,169

The proceeds from the sales of investments were \$0.8 billion and \$1.4 billion for the years ended December 31, 2000 and 1999.

ODYSSEY AMERICA REINSURANCE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The components of gross and net realized investment gains (losses) for the years ended December 31, 2000 and 1999 follows (in thousands):

	2000	1999
Fixed income securities:		
Gains	\$4,799	\$14,036
Losses	16,525	16,402
Net	(11,726)	(2,366)
Equity securities:		
Gains	38,069	11,387
Losses	724	3,083
Net	37,345	8,304
Other securities:		
Gains	282	881
Losses	2,290	2,036
Net	(2,008)	(1,155)
Total realized gains (losses):		
Gains	43,150	26,304
Losses	19,539	21,521
Net	\$23,611	\$4,783

Included in gross losses for the years ended December 31, 2000 and 1999, is \$11.4 million and \$2.1 million, respectively, related to realized losses on the other than temporary write-down of certain fixed income and equity securities.

Changes in unrealized net appreciation (depreciation) on investments, and the related tax effect, for the years ended December 31, 2000 and 1999 follows (in thousands):

	2000	1999
Fixed income securities	\$191,950	\$(242,976)
Equity securities	16,113	(14,677)
Other invested assets	241	(267)
Subtotal	208,304	(257,920)
Provision (benefit) for deferred income taxes	(72,906)	90,272
Net change in unrealized net appreciation (depreciation) of investments reflected in stockholder's equity	\$135,398	\$(167,648)

Fixed income securities carried at \$195.7 million as of December 31, 2000 were on deposit with various state regulatory authorities to comply with insurance laws.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

During October 1997, the Company purchased a Japanese yen forward sale contract for an amount of 650 million Japanese yen at a forward rate of 96.7 yen to provide a hedge against investments the Company owns in Japanese yen. The U.S. dollar notional value is \$6.7 million and the discount is \$1.4 million. The fair value of the contract of \$0.5 million at December 31, 2000, is based on the difference between the actual exchange rate on the date of valuation and the discounted notional value of the contract, adjusted for the amortization of the discount on a straight-line basis over the term of the contract. The Company believes that any fluctuations in its Japanese investments will not have a material effect on the financial statements. The Company does not anticipate a significant difference in the valuation of this contract as a result of the implementation of SFAS No. 133.

Common stocks, affiliated as of December 31, 2000, include the Company's investments in TRG Holding Corporation (27.5% owned by Fairfax and its affiliates, including 13.0% owned by the Company), The HUB Group Limited (41.7% owned by Fairfax and its affiliates, including 22.6% owned by the Company) and Zenith National Insurance Corporation (39.0% owned by Fairfax and its affiliates, including 1.3% owned by the Company).

4. Retrocessions

The Company utilizes retrocessional agreements principally to increase aggregate premium capacity, to reduce and spread the risk of loss on insurance and reinsurance underwritten and to limit its exposure with respect to multiple claims arising from a single occurrence. There is a contingent liability with respect to reinsurance which would become an ultimate liability of the Company in the event that such reinsuring companies are unable, at some later date, to meet their obligations under the reinsurance agreements in force. Reinsurance recoverables are recorded as assets, based on the Company's evaluation of the retrocessionaires' ability to meet their obligations under the retrocession agreement. Premiums written and earned are stated net of reinsurance ceded in the consolidated statement of operations. Direct, assumed, ceded and net amounts (in thousands and inclusive of amounts in Note 5) for these items follows:

2000	Direct	Assumed	Ceded	Net
Premiums written	\$78,223	\$783,943	\$160,832	\$701,334
Premiums earned	64,744	771,409	154,322	681,831
1999	Direct	Assumed	Ceded	Net
Premiums written	\$28,398	\$626,120	\$151,896	\$502,622
Premiums earned	33,725	639,693	165,010	508,408

The Company has established a reserve for potentially uncollectible reinsurance recoverables. The reserve is based upon an evaluation of each retrocessionaire and estimates related to collectibility of individual balances. The reserve as of December 31, 2000 and 1999 was \$29.9 million, and has been netted against reinsurance recoverable on loss payments.

The Company markets its reinsurance products worldwide primarily through reinsurance brokers as well as directly to its customers. Five reinsurance brokerage firms accounted for 64% and 66% of net premiums written for the years ended December 31, 2000, and 1999, respectively, in the Americas division. Loss of all or a substantial portion of the business provided by these brokers could have a material adverse effect on us.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

ORC is the beneficiary of a stop loss reinsurance agreement with ORC Ltd., a wholly owned subsidiary of Fairfax (the "1995 Stop Loss Agreement"). Pursuant to the agreement, ORC ceded premium of \$60.5 million for an aggregate limit of \$175 million in excess of its December 31, 1995 reserves for unpaid losses and allocated loss adjustment expenses and potentially uncollectible reinsurance recoverables. ORC Ltd. has agreed to settle amounts ceded under the contract in excess of the premiums paid on an incurred basis. Ceded losses and loss adjustment expenses incurred for the years ended December 31, 2000 and 1999, of \$16.0 million and \$17.6 million, respectively, related to the stop loss agreement are included in the accompanying statements of operations and Note 5. Reinsurance recoverable on unpaid losses related to this agreement of \$86.0 million and \$70.0 million as of December 31, 2000 and 1999, respectively, are reflected in the accompanying balance sheets.

Odyssey America has purchased whole account stop loss retrocessional protection related to its 1994 and 1996 through 2000 results on an underwriting year basis. The contracts provide loss recovery in excess of a contractual ratio of incurred losses and acquisition costs as a percentage of earned.

The Company has unsecured reinsurance recoverables from Equitas for losses paid, or unpaid, including IBNR, loss adjustment expenses and unearned premium, in excess of 5% of stockholders' equity for the years ended December 31, 2000 and 1999 in the amount of \$50.0 million and \$45.5 million, respectively.

5. Related Party Transactions

The Company and its subsidiaries have entered into various reinsurance arrangements with their affiliates. The approximate amounts included in (deducted from) income, expense, assets and liabilities in the accompanying consolidated financial statements, with respect to reinsurance assumed and ceded follows (in thousands):

	2000	1999
Assumed:		
Premiums written	\$19,223	\$17,457
Premiums earned	23,682	25,411
Losses and loss adjustment expenses (benefits)	(8,202)	29,772
Acquisition costs	7,082	6,031
Reinsurance balances receivable	1,043	4,350
Unpaid losses and loss adjustment expenses	201,164	260,938
Unearned premiums	7,392	4,965
Ceded:		
Premiums written	5,786	6,535
Premiums earned	10,584	11,278
Losses and loss adjustment expenses	24,323	24,677
Acquisition costs	1,447	1,905
Reinsurance balances payable	1,051	4,877
Reinsurance recoverable on loss payments	2,672	7,881
Reinsurance recoverable on unpaid losses	100,283	80,822
Prepaid reinsurance premiums	124	4,439

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Investment management agreements have been entered into between the Company and its subsidiaries and Hamblin Watsa Investment Counsel, Ltd., Inc. ("Hamblin Watsa"), a wholly owned subsidiary of Fairfax. Pursuant to the agreements, basic and incentive fees, based upon total invested assets, are paid to Hamblin Watsa. For the years ended December 31, 2000 and 1999, \$2.3 million and \$2.3 million, respectively, of such fees are included in investment expenses.

The Company paid administrative fees to Fairfax for services provided to the Company. For the years ended December 31, 2000 and 1999, \$2.8 million and \$1.7 million, respectively, of administration fees were incurred.

Current federal and foreign income taxes are recoverable from Fairfax Inc. of \$8.0 million as of December 31, 2000 and \$11.2 million as of December 31, 1999.

Included in the consolidated balance sheets are amounts receivable related to expense sharing arrangements with the parent and affiliates of \$0.9 million as of December 31, 2000 and \$8.5 million as of December 31, 1999 and payable to parent, subsidiaries and affiliates of \$4.5 million as of December 31, 2000 and \$3.8 million as of December 31, 1999.

Management believes that the revenues and expenses related to the transactions with affiliated entities would not be materially different if such transactions were with unaffiliated entities.

6. Accumulated Other Comprehensive Income

The following table shows the components of the change in accumulated other comprehensive income for years ending December 31, 2000 and 1999 (in thousands):

	2000	1999
Beginning balance of accumulated other comprehensive (loss) income	\$(153,868)	\$9,229
Beginning balance of foreign currency translation adjustments	2,000	(2,551)
Ending balance of foreign currency translation adjustments	2,480	2,000
Current period change in foreign currency translation adjustments	480	4,551
Beginning balance of unrealized net (losses) gains on securities	(155,868)	11,780
Ending balance of unrealized net losses on securities	(20,470)	(155,868)
Current period change in unrealized net gains (losses) on securities	135,398	(167,648)
Current period change in accumulated other comprehensive income (losses)	135,878	(163,097)
Ending balance of accumulated other comprehensive loss	\$(17,990)	\$(153,868)

ODYSSEY AMERICA REINSURANCE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The components of comprehensive income for the years ending December 31, 2000 and 1999, are shown in the following table (in thousands):

	2000	1999
Net income	\$54,791	\$56,034
Other comprehensive income (loss), before tax		
Foreign currency translation adjustment	(152)	4,344
Unrealized gains (losses) on securities arising during the period	127,242	(244,728)
Less: reclassification adjustment for realized gains (losses) included in net income	81,062	(13,192)
Other comprehensive income (loss), before tax	208,152	(253,576)
Tax benefit from foreign currency translation	632	207
Tax (expense) benefit from unrealized gains (losses) arising during the period	(44,534)	85,655
Tax (expense) benefit from realized gains (losses) included in net income	(28,372)	4,617
Total tax (expense) benefit	(72,274)	90,479
Other comprehensive income (loss), net of tax	135,878	(163,097)
Comprehensive income (loss)	\$190,669	\$(107,063)

7. Earnings per share

Net income per common share has been computed in the following table based upon weighted average common shares outstanding

	2000	1999
Net income (in thousands)	\$54,791	\$56,034
Weighted average common shares outstanding		
Weighted average shares outstanding - Basic	20,875	17,581
Effect of dilutive shares	—	—
Weighted average shares outstanding - diluted	20,875	17,581
Net income per common share:		
Basic	\$2,625	\$3,187
Diluted	\$2,625	\$3,187

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

8. Employee Benefits

The Company maintains a qualified, noncontributory, defined benefit pension plan (the Plan) covering substantially all employees who have reached age twenty-one and who have completed one year of service. Contributions to the Plan are based on the maximum amounts that can be deducted for federal income tax purposes using actuarial cost methods and assumptions different from those used for financial reporting.

The amortization period for unrecognized pension costs and credits, including prior service costs, if any, and actuarial gains and losses, is based on the remaining service period for those employees expected to receive pension benefits. Actuarial gains and losses result when actual experience differs from that assumed or when actuarial assumptions are changed.

The following tables set forth the Plan's funded status and amounts recognized in the Company's consolidated financial statements as of December 31, 2000 and 1999 (in thousands):

The following table summarized the status of these plans:

	2000	1999
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$22,806	\$24,025
Service cost	1,090	1,201
Interest cost	1,690	1,606
Actuarial gain	(4,191)	(3,474)
Benefit paid	(842)	(607)
Other	(585)	55
Benefit obligation at end of year	\$19,968	\$22,806
Change in discount rate	.25%	.75%
Change in plan assets:		
Fair value of plan assets at beginning of year	\$19,656	\$20,112
Actual return on plan assets	1,398	(33)
Actual contributions during the year	680	184
Benefits paid	(842)	(607)
Fair value of plan assets at end of year	\$20,892	\$19,656
Funded status	\$925	\$(3,150)
Unrecognized prior service cost	(535)	55
Unrecognized net (gain)	(8,046)	(4,110)
Accrued pension cost	\$(7,656)	\$(7,205)

ODYSSEY AMERICA REINSURANCE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Net periodic pension cost included the following components (in thousands):

	2000	1999
Service cost	\$1,090	\$1,201
Interest cost	1,690	1,606
Return on assets	(1,479)	(1,344)
Net amortization and deferral	(168)	—
Net pension cost	\$1,133	\$1,463
Weighted average discount rate	7.75%	7.50%
Rate of increase of future compensation levels	5.80%	5.73%
Expected long term rate of return on Plan assets	7.75%	7.50%

The Company also maintains non-qualified excess benefit plans that provide officers and certain employees with defined retirement benefits in excess of qualified plan limits imposed by federal tax law. The following tables set forth the amounts recognized in the Company's consolidated financial statements as of December 31, 2000 and 1999 (in thousands):

The following table summarized the status of these plans:

	2000	1999
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$7,995	\$8,373
Service cost	307	216
Interest cost	573	539
Actuarial gain	(150)	(631)
Benefit paid	(547)	(502)
Benefit obligation at end of year	\$8,178	\$7,995
Change in discount rate	.25%	.75%
Change in plan assets:		
Fair value of plan assets at beginning of year	\$66	\$ —
Actual contributions during the year	555	568
Benefits paid	(547)	(502)
Fair value of plan assets at end of year	\$74	\$66
Funded status	\$(8,104)	\$(7,929)
Unrecognized transition obligation	417	486
Unrecognized net (gain)	931	1,140
Accrued pension cost	\$(6,756)	\$(6,303)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Net periodic pension cost included the following components:

	2000	1999
Service cost	\$307	\$216
Interest cost	573	539
Recognized net actuarial loss/gain	72	73
Net amortization and deferral	55	69
Net pension cost	\$1,007	\$897
Weighted average discount rate	7.50%	7.50%

The Company established a trust fund, included in other invested assets, in the amount of \$5.1 million and \$4.6 million as of December 31, 2000 and 1999, respectively, related to the non-qualified plans.

Certain employees of the Company have been granted shares of restricted common stock under the Fairfax Restricted Share Plan. The restricted stock vests over a three to ten year period. The Company has reflected \$0.5 million of expense in the year ended December 31, 2000, which represents the vested portion of the restricted stock.

The Company also maintains a defined contribution profit sharing plan for all eligible employees. Each year the board of directors may authorize payment of an amount equal to a percentage of each participant's basic annual earnings based on the experience of the Company for that year. These amounts are credited to the employee's account maintained by an insurance carrier, which has contracted to provide benefits under the plan. No contributions were made in 2000 and 1999.

The Company also maintains a deferred compensation plan pursuant to Section 401(k) of the Internal Revenue Code of 1986, as amended. Employees may contribute up to 10% of annual compensation on a pre-tax basis. The Company contributes an amount equal to two-thirds of each employee's pre-tax contribution up to the first 6% of pay. The maximum matching contribution is 4% of pay with certain government mandated restrictions on contributions to highly compensated employees. The Company contributed, \$0.8 million and \$0.3 million to this plan in 2000 and 1999, respectively.

The Company provides certain health care and life insurance ("postretirement") benefits for retired employees. Substantially all employees may become eligible for these benefits if they reach retirement age while working for the Company. The Company's cost for providing postretirement benefits other than pensions is accounted for in accordance with SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions". The accumulated unfunded liability, included in other liabilities, is \$4.5 million and \$4.3 million as of December 31, 2000 and 1999, respectively. The following tables set forth the amounts recognized in the Company's consolidated financial statements as of December 31, 2000 and 1999 (in thousands):

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following table summarized the status of this plan:

	2000	1999
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$6,341	\$6,009
Service cost	342	340
Interest cost	300	400
Actuarial gain	(2,410)	(212)
Benefit paid	(176)	(196)
Other	10	—
Benefit obligation at end of year	\$4,407	\$6,341
Change in discount rate	—	.75%
	2000	1999
Funded status	\$(4,407)	\$(6,341)
Unrecognized prior service cost	429	554
Unrecognized net (gain) loss	(2,490)	386
Accrued pension cost	\$(6,468)	\$(5,401)

Net Periodic pension cost included the following components:

	2000	1999
Service cost	\$342	\$340
Interest cost	300	400
Net amortization and deferral	(12)	160
Net pension cost	\$630	\$900
Weighted average discount rate	7.50%	7.50%
Rate of increase of future compensation levels	6.00%	6.00%

The annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) is assumed to be 10% in 2000 and thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, increasing the assumed health care cost trend rates by one percentage point would increase the accumulated postretirement benefit obligation by \$0.7 million and the service and interest cost components of net periodic postretirement benefit costs by \$0.1 million for 2000. Decreasing the assumed health care cost trend rates by one percentage point in each year would decrease the accumulated postretirement benefit obligation and the service and interest cost components of net periodic postretirement benefit cost for 2000 by \$0.5 million and \$0.1 million respectively. The discount rate used in determining the accumulated postretirement benefit obligation was 7.5% at December 31, 2000 and 1999.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

9. Federal and Foreign Income Taxes

Pre-tax operating income from domestic companies was \$98.8 million and \$84.9 million in 2000 and 1999, respectively. Pre-tax operating loss from foreign operations was \$18.2 million in 2000 and \$5.3 million in 1999, respectively.

During 1999, the Company reflected a current tax benefit resulting from the utilization of net operating tax loss carrybacks, receipt of a tax settlement from prior years and a true up of its estimate of prior years taxes.

The components of the federal and foreign income tax provision (benefit) follows (in thousands):

	2000	1999
Current:		
United States	\$22,587	\$(2,883)
Foreign	—	—
Total current income taxes	22,587	(2,883)
Deferred:		
United States	3,208	26,409
Foreign	—	—
Total deferred income taxes	3,208	26,409
Total federal and foreign income tax provision	\$25,795	\$23,526

Deferred federal and foreign income taxes reflect the tax impact of temporary differences between the amount of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations. Components of deferred federal and foreign income tax assets (liabilities) follows (in thousands):

	2000	1999
Unpaid losses and loss adjustment expenses	\$97,672	\$114,065
Unearned premiums	15,368	13,797
Reserve for potentially uncollectible balances	10,776	10,766
Pension accrual	7,589	7,589
Other	55,972	41,234
Total deferred tax assets	187,377	187,451
Deferred acquisition costs	20,982	19,838
Reinsurance balances receivable	—	7,937
Other	3,798	40,764
Total deferred tax liabilities	24,780	68,539
Net deferred tax assets	162,597	118,912
Deferred tax on unrealized net depreciation of investments	11,022	83,928
Deferred federal and foreign income tax asset	\$173,619	\$202,840

Other deferred tax liability in the table above relates to U.S. treasury bonds held by Odyssey America which had a low tax basis due to a Section 338 (h)(10) election made in 1993. Management believes that it is more likely than not that the Company will realize the benefits of its net deferred tax assets and, accordingly, no valuation allowance has been recorded for the periods presented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following table reconciles federal and foreign income taxes at the statutory federal income tax rate to the Company's tax provision (benefit) (in thousands):

	2000		1999	
	Amount	% of Pre-tax Income	Amount	% of Pre-tax Income
Income taxes computed on pre-tax operating income	\$28,206	35.0%	\$27,846	35.0%
Increase (decrease) in income taxes resulting from:				
Dividend received deduction and tax-exempt income	(792)	(1.0)	(3,348)	(4.2)
Amortization of purchase price	(2,041)	(2.5)	(2,298)	(2.9)
Foreign taxes, net				
Other, net	422	0.5	1,326	1.7
Total federal and foreign income tax provision	\$25,795	32.0%	\$23,526	29.6%

Under its tax sharing agreement the Company recovered federal and foreign income taxes of \$9.4 million in 2000 and paid federal and foreign income taxes of \$27.9 million in 1999.

During 2000, the Company sold fixed income securities with a discounted tax basis, which was reflected above as other deferred tax liability in 1999. Such sale resulted in a potential tax liability of \$45.9 million payable to Fairfax. This tax liability was forgiven by Fairfax and has been reflected as a capital contribution in 2000.

10. Commitments and Contingencies

The Company and its subsidiaries lease office space and furniture and equipment under long-term leases expiring through the year 2010. Minimum annual rentals follow (in thousands):

2001	\$4,197
2002	4,114
2003	4,600
2004	4,601
2005	4,496
2006 and thereafter	9,621
Total	\$31,629

The amounts above are reduced by space subleased to other companies providing for an aggregate minimum rental recovery of \$5.0 million.

Rental expense, before sublease income, under these operating leases was \$9.2 million and \$11.7 million in 2000 and 1999, respectively. The Company recovered \$4.0 million and \$3.4 million in 2000 and 1999, respectively, from subleases.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

ORC has agreed to allow Ranger Insurance Company ("Ranger"), a subsidiary of Fairfax, to attach an assumption of liability endorsement to its policies where required. The agreement applies to endorsements issued from July 1, 1999 to the termination of the agreement. The agreement will terminate upon Ranger receiving an A.M. Best rating of A- or better, Ranger ceasing to be under the control of Fairfax, or either party giving the other party 30 days notice. Following termination of the agreement, ORC will remain liable for any losses occurring prior to the effective date of the termination, pursuant to the terms of the endorsements. Fairfax has agreed to indemnify ORC for any obligation under this agreement.

Odyssey America has agreed, as of July 14, 2000, to guarantee the performance of all of the insurance and reinsurance contract obligations, whether incurred before or after the agreement, of Compagnie Transcontinentale de Réassurance ("CTR"), an affiliate, in the event CTR becomes insolvent and CTR is not otherwise indemnified under its guarantee agreement with a Fairfax affiliate. Odyssey America may terminate the guarantee on not less than three months notice prior to December 31 in any year, but will remain ultimately liable for contracts entered into by CTR before such termination. Odyssey America anticipates that CTR will meet all of its obligations in the normal course of business and does not anticipate making any payments under this guarantee. Odyssey America intends to terminate the guarantee effective December 31, 2001. This guarantee was entered into as part of the redeployment of CTR's business to Odyssey America. Fairfax has agreed to indemnify Odyssey America for all obligations under this guarantee.

Through UK Holdings, Odyssey America became a limited liability participant in the Lloyd's market in 1997. In order to continue underwriting at Lloyd's, the Company has established a clean irrevocable letter of credit in favor of the Society and Council of Lloyd's. At December 31, 2000, the letter of credit was valued at £57.5 million (\$85.9 million) and was collateralized by \$95.6 million of the Company's investment securities at statement value. The letter of credit effectively secures the future contingent obligations of UK Holdings should Lloyd's underwriting syndicate in which the Company participates incur net losses. The Company's contingent liability to the Society and Council of Lloyd's is limited to the amount of the letter of credit.

The Company has been named as defendant in various litigations in the ordinary course of business. In management's opinion, the outcome of these suits, individually or collectively, is not likely to result in judgments which would be material to the financial condition or results of operations or cash flow of the Company.

11. Dividend Restrictions, Statutory Information and Capitalization

The Company, through its subsidiaries, is subject to state regulatory restrictions which limit the maximum amount of dividends payable. The Company must obtain approval of the Insurance Commissioner of the State of Connecticut in order to pay in any 12-month period, "extraordinary" dividends which are defined as the greater of 10% of statutory capital and surplus as of the prior year end or net income for such prior year. Connecticut law further provides that (i) the Company must report to the Connecticut Commissioner, for informational purposes, all dividends and other distributions within five business days after the declaration thereof and at least ten days prior to payment and (ii) the Company may not pay any dividend or distribution in excess of its earned surplus, as reflected in its most recent statutory annual statement on file with the Connecticut Commissioner, without such Commissioner's approval.

The Company paid total dividends during 2000 and 1999 of \$85.0 million and \$118.3 million, respectively. The maximum amount of dividend which may be paid in 2001 without prior approval is \$35.0 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following is the consolidated statutory basis net income and policyholders' surplus of Odyssey America and its subsidiaries, for the years ended and as of December 31, 2000 and 1999 (in thousands):

	2000	1999
Net income	\$95,026	\$45,601
Policyholders' surplus	853,008	855,835

In 1998, the National Association of Insurance Commissioners ("NAIC") adopted the Codification of Statutory Accounting Principles ("the Codification") guidance, which will replace the current Accounting Practices and Procedures manual as the NAIC's primary guidance on statutory accounting. The Codification provides guidance for areas where statutory accounting has been silent and changes current statutory accounting in some areas. The Connecticut and Delaware Insurance Departments have adopted the Codification guidance, effective January 1, 2001. The Company is in the process of estimating the potential effect of the Codification guidance on its statutory financial statements.

The statutory provision for potentially uncollectible reinsurance recoverables due from unauthorized companies is reduced to the extent collateral is held by ORC or Hudson. Pursuant to indemnification agreements between Fairfax Inc. and ORC and Hudson, Fairfax Inc. provides letters of credit (LOC) and/or cash in respect of uncollateralized balances due from unauthorized reinsurers. The use of such collateral provided by Fairfax Inc. is a permitted accounting practice approved by the Insurance Department of the State of Delaware.

As of December 31, 2000 and 1999, \$7.3 million and \$10.9 million, respectively, of statutory funds held under reinsurance contracts related to cash collateral provided by Fairfax Inc. in regard to the above mentioned indemnification agreements. Fairfax Inc. has also provided a \$25.0 million LOC to ORC and a \$2.0 million LOC to Hudson as of December 31, 2000, of which approximately \$20.6 million has been used as collateral in regard to the indemnification agreements. The indemnification agreements do not affect the reinsurance recoverable balances as reported in the accompanying consolidated financial statements.

12. Financial Guarantee Reinsurance

The Company's assumed financial guarantee reinsurance exposure to loss, in the event of nonperformance by the underlying insured and assuming underlying collateral proved to be of no value, was \$173.0 million and \$215.0 million as of December 31, 2000 and 1999, respectively. It is the responsibility of the ceding insurer to collect and maintain collateral under financial guarantee reinsurance.

ODYSSEY AMERICA REINSURANCE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

As of December 31, 2000 such reinsurance in-force had a remaining maturity term of 1 to 34 years. The approximate distribution of the estimated debt service (principal and interest) of bonds, by type and unearned premiums, for 2000 and 1999 follows (in millions):

	2000	1999
Municipal obligations:		
General obligation bonds	\$65	\$77
Special revenue bonds	85	103
Industrial development bonds	18	26
Corporate obligations	5	8
Total	\$173	\$214
Unearned premiums	\$1.1	\$1.3

The Company has not been provided with a geographic distribution of the debt service from all of its cedants. The following table summarizes the information which has been received by the Company from its cedants:

State	2000 Debt Service
Florida	\$ 22.9
Illinois	11.3
New York	10.2
Texas	10.1
California	8.1
Kentucky	7.8
Arizona	6.6
New Jersey	6.2
Mississippi	5.8
Pennsylvania	5.5
Subtotal	94.5
States less than \$5 million exposure per State	53.3
Geographic information not available	25.2
TOTAL	\$173.0

ODYSSEY AMERICA REINSURANCE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

13. Unpaid Losses and Loss Adjustment Expenses

Activity in the liability for unpaid losses and loss adjustment expenses follows (in thousands):

	2000	1999
Gross unpaid losses and loss adjustment expenses, beginning of year	\$2,569,895	\$1,176,292
Less ceded unpaid losses and loss adjustment expenses	738,368	357,824
Net unpaid losses and loss adjustment expenses, beginning of year	1,831,527	818,468
Acquisition of Odyssey America - net unpaid losses and loss adjustment expenses	—	1,169,956
Losses and loss adjustment expenses incurred related to:		
Current year	487,526	391,242
Prior years	15,938	(7,359)
Total losses and loss adjustment expenses incurred	503,464	383,883
Paid losses and loss adjustment expenses related to:		
Current year	58,706	55,663
Prior years	608,376	484,883
Total paid losses and loss adjustment expenses	667,082	540,546
Effects of exchange rate changes	(1,142)	(234)
Net unpaid losses and loss adjustment expenses, end of year	1,666,767	1,831,527
Add ceded unpaid losses and loss adjustment expenses	899,629	738,368
Gross unpaid losses and loss expenses, end of year	\$2,566,396	\$2,569,895

The prior years' changes in loss estimates recognized in calendar years 2000 and 1999 on prior years' estimates are \$15.9 million and (\$7.4) million, respectively. Higher loss estimates on casualty program business are principally causing the increase on year end 1999 loss estimates in calendar year 2000. Improved loss estimates on excess casualty is primarily responsible for the decrease reflected in calendar year 1999 on year end 1998 loss estimates.

The Company uses tabular reserving for workers' compensation indemnity reserves and discounts such reserves using an interest rate of 3.5%. Losses have been discounted using the Life Table for Total Population: United States, 1979 - 1981. Reserves reported at present value were approximately \$73.7 million and \$87.9 million at December 31, 2000 and 1999, respectively. The amount of case reserve discount was \$25.0 million and \$25.7 million at December 31, 2000 and 1999 respectively. The amount of IBNR reserve discount was \$12.9 million and \$8.0 million at December 31, 2000 and 1999, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

14. Asbestos and Environmental Loss and Loss Adjustment Expenses

The Company has exposure to asbestos and environmental pollution claims. Exposure arises from reinsurance contracts under which the Company has assumed liabilities, on an indemnity or assumption basis, from ceding companies primarily in connection with general liability insurance policies issued by such cedants. The Company's estimate of its ultimate liability for such exposures includes case basis reserves and a provision for liabilities incurred but not reported. Case basis reserves are a combination of reserves reported to the Company by ceding companies and additional case reserves determined by the Company's dedicated asbestos and environmental claims unit based on claims audits of cedants. The provision for liabilities incurred but not reported is established based on various methods such as loss development, market share and frequency and severity.

Estimation of ultimate liabilities for these exposures is unusually difficult due to outstanding issues such as whether coverage exists, definition of an occurrence, determination of ultimate damages and allocation of such damages to financially responsible parties. The determination of ultimate liabilities for waste site pollution exposure is especially uncertain due to the potential for an amendment to the Superfund Law proposed by various business groups, environmental groups and government agencies.

The Company's reserves for asbestos and environmental related liabilities displayed below is from business written for accident years 1985 and prior. There is minimum exposure and no specific reported reserves in the more recent accident years. The Company's asbestos and environmental reserve development, gross and net of reinsurance, for the years ended December 31, 2000 and 1999 is set forth in the table below (in thousands):

	2000	1999
ASBESTOS		
Gross unpaid losses and loss adjustment expenses, beginning of year	\$118,242	\$120,429
Less ceded unpaid losses and loss adjustment expenses	88,758	90,945
Net unpaid losses and loss adjustment expenses, beginning of year	29,484	29,484
Net losses and loss adjustment expenses incurred	—	—
Net paid losses and loss adjustment expenses	—	—
Net unpaid losses and loss adjustment expenses, end of year	29,484	29,484
Add ceded unpaid losses and loss adjustment expenses	176,149	88,758
Gross unpaid losses and loss expenses, end of year	\$205,633	\$118,242

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

ENVIRONMENTAL

Gross unpaid losses and loss adjustment expenses, beginning of year	\$44,594	\$48,820
Less ceded unpaid losses and loss adjustment expenses	12,457	16,450
Net unpaid losses and loss adjustment expenses, beginning of year	32,137	32,370
Net losses and loss adjustment expenses incurred	—	—
Net paid losses and loss adjustment expenses	—	233
Net unpaid losses and loss adjustment expenses, end of year	32,137	32,137
Add ceded unpaid losses and loss adjustment expenses	21,302	12,457
Gross unpaid losses and loss expenses, end of year	\$53,439	\$44,594

The Company's survival ratio for environmental and asbestos related liabilities as of December 31, 2000 is 12 years, reflecting full utilization of remaining indemnifications. The survival ratio represents the environmental impairment and asbestos related illness reserves, gross of reinsurance, on December 31, 2000 plus remaining indemnifications divided by the average paid environmental and asbestos claims, gross of reinsurance, for the last three years. The company's survival ratio is nine years, prior to the reflections of remaining indemnifications. The Company's survival ratio compares favorably with A.M. Best Company's 3-year average survival ratio of 7.8 years for the United States property and casualty insurance industry (as set out in their study of United States property and casualty insurers' and reinsurers').

15. Segment Reporting

The Company's business is managed through three distinct business units, the Americas, EuroAsia and Newline Syndicate which are established principally based on geographic regions. Each business unit provides customized treaty, facultative and program reinsurance programs through professional reinsurance brokerage firms. The Americas business unit is comprised of the Company's U.S. operations and its Canadian and Latin America branch offices. The U.S. operations write primarily treaty property, general casualty, specialty casualty, primary insurance through Hudson, and facultative casualty business. Through its Canadian and Latin American branches, treaty property business is written. The EuroAsia business unit which was formed in late 2000, and is comprised of offices in Paris, Cologne, Stockholm, Singapore and Tokyo. The EuroAsia business unit writes primarily treaty and facultative property business. The Company's wholly owned syndicate, Newline, operates on the Lloyd's insurance exchange and is operated as a separate business unit. Newline Syndicate writes primarily casualty business and financial lines. The financial results of these business units for the years ended December 31, 2000 and 1999 are as follows (in thousands):

ODYSSEY AMERICA REINSURANCE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Year ended December 31, 2000	Americas	EuroAsia	Newline	Total
Gross premiums written	\$753,937	\$439	\$107,790	\$862,166
Net premiums written	\$608,812	\$439	\$92,083	\$701,334
Net premiums earned	\$606,740	\$387	\$74,704	\$681,831
Losses and loss adjustment expenses	440,626	277	62,561	503,464
Acquisition costs and other underwriting expenses	219,138	2,351	30,335	251,824
Total underwriting deductions	659,764	2,628	92,896	755,288
Underwriting loss	\$(53,024)	\$(2,241)	\$(18,192)	(73,457)
Net investment income				126,593
Net realized investment gains				23,611
Other income, net				3,839
Income before income taxes				\$80,586
Underwriting ratios:				
Losses and loss adjustment expenses	72.6%	71.6%	83.7%	73.9%
Acquisition costs and other underwriting expenses	36.1	607.5	40.6	36.9
Combined ratio	108.7%	679.1%	124.3%	110.8%
Year ended December 31, 1999	Americas	EuroAsia	Newline	Total
Gross premiums written	\$612,263	\$ —	\$42,255	\$654,518
Net premiums written	\$469,552	\$ —	\$33,070	\$502,622
Net premiums earned	\$470,676	\$ —	\$37,732	\$508,408
Losses and loss adjustment expenses	359,811	—	24,072	383,883
Acquisition costs and other underwriting expenses	163,710	—	18,793	182,503
Total underwriting deductions	523,521	—	42,865	566,386
Underwriting loss	\$(52,845)	\$ —	\$(5,133)	(57,978)
Net investment income				121,169
Net realized investment gains				4,783
Other income, net				11,586
Income before income taxes				\$79,560
Underwriting ratios:				
Losses and loss adjustment expenses	76.4%	—	63.8%	75.5%
Acquisition costs and other underwriting expenses	34.8	—	49.8	35.9
Combined ratio	111.2%	—	113.6%	111.4%

ODYSSEY AMERICA REINSURANCE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Gross Premiums Written by Major Unit / Division

	Years Ended December 31,	
	2000	1999
United States	\$616,569	\$505,118
Latin America	40,636	16,433
Canada	13,892	—
London Branch	82,840	90,712
Sub-Total Americas	753,937	612,263
EuroAsia	439	—
Newline	107,790	42,255
Total	\$862,166	\$654,518

Gross Premiums Writtten by Type of Business / Business Unit

	Years Ended December 31,	
	2000	1999
Property excess of loss	\$69,482	\$64,542
Proportional property	102,316	74,557
Casualty excess of loss	195,615	155,933
Proportional casualty	247,338	161,161
Miscellaneous lines	51,402	45,879
Facultative reinsurance	59,317	95,927
Primary insurance (Hudson)	28,467	14,264
Sub-Total Americas	753,937	612,263
North American casualty	39,688	9,300
Marine and aerospace	4,551	—
International casualty	4,832	—
Discontinued lines	21,947	16,775
Financial lines	36,772	16,180
Sub-Total Newline	107,790	42,255
EuroAsia	439	—
Total	\$862,166	\$654,518

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The Company does not maintain separate balance sheet data for each of its operating segments. The business written and the experience on the Americas division includes the activities of its United States, Latin America and Canadian branch offices. For calendar year 2000 and prior, the London Branch activity is included in the Americas Division. EuroAsia Division was formed in mid-2000 and includes business written from its Paris and Singapore branches and also includes the business written by the London Branch for underwriting year 2001 and subsequent business. Newline Division is the business written and experience of the Newline Syndicate at Lloyd's. Accordingly, the Company does not review and evaluate the financial results of its operating segments based upon balance sheet data.

16. Subsequent event

In March 2001, Fairfax authorized the sale of 26% of the Company's common stock to the public in an initial public offering. Of the \$279 million in total net proceeds from the offering, \$225 million will be paid to TIG and ORH Holdings, collectively, and \$54 million will be maintained by the Company.

Concurrent with the offering, OdysseyRe will acquire the Company and its subsidiaries for cash of \$225 million, a term note of \$200 million and 48,000,000 shares of OdysseyRe common stock. That acquisition will be accounted for at historical cost in a manner similar to a pooling of interests. As a result, the accompanying financial statements of the Company will become the historical financial statements of OdysseyRe. In addition, the Company has approved the initial grants of 228,540 of restricted shares to various executives under the OdysseyRe Restricted Share Plan. These grants will be issued at their fair market value at the time of the offering. Compensation expense will be recognized over the ten year vesting period.

ODYSSEY RE

140 Broadway, 39th Floor
New York, NY 10005
Tel: 212-978-4700
Fax: 212-344-4229

Andrew A. Barnard, *President and Chief Executive Officer*
Roland W. Jackson, *Executive Vice President and Chief Financial Officer*
Mark W. Hinkley, *Executive Vice President, Director of Marketing*
James E. Migliorini, *Senior Vice President, Odyssey Strategic Solutions*
Donald L. Smith, *Senior Vice President and General Counsel*
Brian D. Young, *Executive Vice President, Ceded Reinsurance*

LONDON

London Underwriting Centre
3 Minster Court, Suite 5/4
Mincing Lane
London EC3R 7DD
England
Tel: 44-207-617-4567
Fax: 44-207-617-4566

Amer Ahmed, *Senior Vice President, Chief Actuary – International*
Nigel Wilson, *Senior Vice President, Director of International Retrocessions*

AMERICAS DIVISION

300 First Stamford Place
Stamford, CT 06902
Tel: 203-977-8000
Fax: 203-356-0196

Michael G. Wacek, *President, Americas Division*
Roland W. Jackson, *Executive Vice President and Chief Operating Officer*
Mark W. Hinkley, *Executive Vice President, Director of Marketing*
Anthony J. Narciso, Jr., *Senior Vice President and Chief Financial Officer*
Brian D. Quinn, *Executive Vice President, General and Specialty Casualty*
Brian D. Young, *Executive Vice President, Non-Traditional Markets*
Robert S. Bennett, *Senior Vice President and Chief Actuary*
Denise L. Davies, *Senior Vice President, Audit and Data Quality*
Gerard A. Dugan, *Senior Vice President, Claims*
Nicholas P. Esposito, *Senior Vice President, Human Resources*
Donald L. Smith, *Senior Vice President,*
General Counsel and Corporate Secretary
Thomas C. Bredahl, *Senior Vice President, General Casualty*
Alane R. Carey, *Senior Vice President, Specialty Casualty*
Mary M. Coca, *Senior Vice President, Specialty Casualty*
Patrick E. Gentile, *Senior Vice President, Specialty Casualty*
Joseph A. Guardo, *Senior Vice President, Property*
Jeffrey D. Morash, *Senior Vice President, General Casualty*



AVON

23 Waterside Court
Avon, CT 06001
Tel: 860-677-0200
Fax: 860-674-8198

Lawrence C. Berger, *Senior Vice President, Underwriting Audit*

NEW YORK

22 Cortlandt Street, 18th Floor
New York, NY 10007
Tel: 212-978-2700
Fax: 212-566-2617

Michael F. Mather, *Executive Vice President, Facultative and Programs*
John F. Coppinger, Jr., *Senior Vice President, Programs*
Christopher T. Suarez, *Senior Vice President, Individual Risk*
S. Lance Andrew, *Senior Vice President, Hudson Insurance Company*
Michael Gleeson, *Senior Vice President, Hudson Insurance Company*

TORONTO

55 University Avenue, Suite 1600
Toronto, Canada M5J 2H7
Tel: 416-862-0162
Fax: 416-367-3248

Robert H. Ysseldyk, *General Manager and Chief Agent*
Thomas D. MacKenzie, *Senior Vice President, Underwriting*

LATIN AMERICA

MEXICO CITY

Insurgentes Sur No. 1605
11th Floor, Modulo III
Col. San José Insurgentes
Mexico, D.F. 03900
Tel: 52-5-662-8660
Fax: 52-5-662-6661

Gustavo A. Scheffler, *Vice President and General Manager, Latin America*

MIAMI

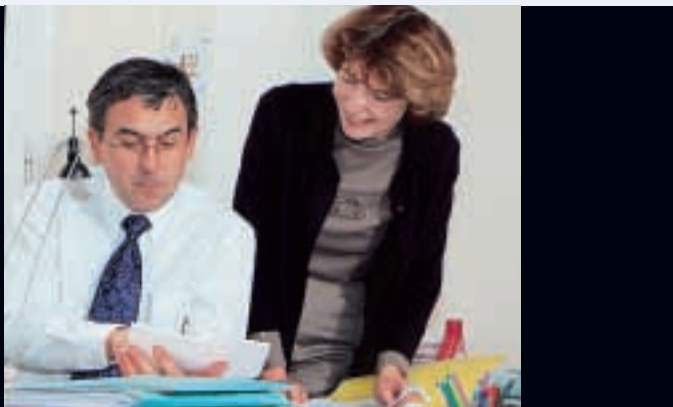
1200 Brickell Avenue, Suite 1410
Miami, FL 33131
Tel: 305-577-4244
Fax: 305-577-9895

Arturo E. Falcon, *Vice President and Regional Manager*

SANTIAGO

Alcantara No. 44
Piso 10, Las Condes
Santiago, Chile
C.P. 6760397
Tel: 56-2-228-0211
Fax: 56-2-228-0215

Juan Eduardo Ovalle, *Vice President and Regional Manager*



EUROASIA DIVISION

PARIS

15, rue du 4 Septembre

75002 Paris

France

Tel: 33-1-44-86-1000

Fax: 33-1-42-96-0182

Lucien Pietropoli, *President, EuroAsia Division*

Bernard Assens, *Director*

Gaël Le Paih, *Director*

Isabelle Dubots Lafitte, *Deputy Director*

Charles Mazzoni, *Deputy Director*

Yannick Allié, *Deputy Director*

COLOGNE

Zeughausstrasse 24

D-50667 Cologne

Germany

Tel: 49-221-160-97-0

Fax: 49-221-160-97-77

Jean-Louis Sacksteder, *Director and Regional Manager*

LONDON

London Underwriting Centre

3 Minster Court, Suite 5/4

Mincing Lane

London EC3R 7DD

England

Tel: 44-207-617-4567

Fax: 44-207-617-4566

André-François Rocque, *Vice President*

SINGAPORE

9 Raffles Place

#37-01 Republic Plaza

Singapore 04 8619

Tel: 65-438-3806

Fax: 65-438-3827

Olivier Massot, *Director and Regional Manager*

STOCKHOLM

Norrandsgatan 16

S-111 87, Stockholm

Sweden

Tel: 46-8-598-11500

Fax: 46-8-598-11599

Pär Mattsson, *General Manager*



TOKYO

Kasumigaseki Building 7F
3-2-5 Kasumigaseki
Chiyoda-ku
Tokyo 100-6007
Japan

Tel: 81-3-5521-6200
Fax: 81-3-5521-6206

Hiroshi Yokojima, *Manager*

NEWLINE UNDERWRITING MANAGEMENT LTD.

Syndicate 1218
3 Minster Court, Suite 5/4
Mincing Lane
London EC3R 7DD
England

Tel: 44-207-617-4565
Fax: 44-207-617-4566

David J. Newman, *President and Active Underwriter*
Stephen L. Gordon, *Chief Operating Officer*
J. Richard Micklem, *Chief Financial Officer*
Duncan J. Reed, *Company Secretary and Compliance Officer*
Paul T. Everett, *Claims Manager*
Michael Hanns, *Underwriter, Marine & Aerospace Treaty*
Andrew R. Gregory, *Underwriter, International Casualty Treaty*
Ian J. Sawyer, *Underwriter, North American Casualty Treaty*
Kenneth A.W. Thorpe, *Underwriter, Financial Lines*







OdysseyRe[®]

www.odysseyre.com