

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

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the Quarterly Period Ended: March 31, 2006

Commission File Number: 333-84068

Crum&Forster

Crum & Forster Holdings Corp.

(Exact Name of Registrant as Specified in its Charter)

Delaware

*(State or Other Jurisdiction of
Incorporation or Organization)*

04-3611900

(I.R.S. Employer Identification Number)

305 Madison Avenue, Morristown, New Jersey 07962

(Address of principal executive office)

(973) 490-6600

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

Class

Number of Shares Outstanding at May 2, 2006

Common Stock, \$.01 Par Value

100

CRUM & FORSTER HOLDINGS CORP.

Form 10-Q

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**PART I
FINANCIAL INFORMATION**

ITEM 1. FINANCIAL STATEMENTS

**CRUM & FORSTER HOLDINGS CORP.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share amounts)**

	<u>March 31, 2006</u>	<u>December 31, 2005</u>
	<u>(Unaudited)</u>	
ASSETS		
Investments:		
Fixed income securities, at fair value (amortized cost of \$1,979,553 and \$2,073,443 in 2006 and 2005, respectively)	\$1,838,040	\$ 1,991,118
Equity securities, at fair value (cost of \$553,900 and \$503,942 in 2006 and 2005, respectively)	573,584	595,944
Other invested assets	409,266	391,132
Total investments	2,820,890	2,978,194
Cash and cash equivalents	312,794	245,441
Assets pledged for short-sale obligations	479,999	496,903
Premiums receivable	272,089	245,795
Reinsurance recoverable	1,767,420	1,806,082
Reinsurance recoverable from affiliates	292,690	304,033
Prepaid reinsurance premiums	32,070	31,308
Deferred income taxes	232,569	175,207
Deferred policy acquisition costs	78,026	70,807
Other assets	192,819	129,109
Total assets	<u>\$6,481,366</u>	<u>\$ 6,482,879</u>
LIABILITIES		
Unpaid losses and loss adjustment expenses	\$3,640,968	\$ 3,673,034
Unearned premiums	548,938	499,551
Accounts payable and other liabilities	286,201	264,525
Funds held under reinsurance contracts	278,407	277,868
Deferred income on retroactive insurance	181,119	184,498
Short-sale obligations	344,050	329,740
Long-term debt	292,640	292,470
Total liabilities	<u>5,572,323</u>	<u>5,521,686</u>
SHAREHOLDER'S EQUITY		
Common stock, \$0.01 par value; 1,000 shares authorized; 100 issued and outstanding	—	—
Additional paid-in capital	740,993	740,993
Accumulated other comprehensive income, net of tax	(35,070)	53,443
Retained earnings	203,120	166,757
Total shareholder's equity	<u>909,043</u>	<u>961,193</u>
Total liabilities and shareholder's equity	<u>\$6,481,366</u>	<u>\$ 6,482,879</u>

The accompanying notes are an integral part of the consolidated financial statements.

CRUM & FORSTER HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands)

	Three Months Ended March 31,	
	2006	2005
	(Unaudited)	
REVENUES		
Premiums earned	\$ 246,719	\$ 231,554
Investment income	56,458	34,657
Realized investment gains	121,822	14,250
Total revenues	424,999	280,461
EXPENSES		
Losses and loss adjustment expenses	169,012	153,633
Policy acquisition costs	31,233	30,414
Other underwriting expenses	39,025	33,395
Interest expense	8,241	8,224
Other expense, net	2,664	1,308
Total expenses	250,175	226,974
Income before income taxes and equity in earnings of investees	174,824	53,487
Income tax expense	60,320	18,365
Income before equity in earnings of investees	114,504	35,122
Equity in earnings of investees, net of tax	1,859	4,433
NET INCOME	\$ 116,363	\$ 39,555

The accompanying notes are an integral part of the consolidated financial statements.

CRUM & FORSTER HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY
(Dollars in thousands)

	Three Months Ended	
	March 31,	
	2006	2005
	(Unaudited)	
COMMON STOCK		
Balance, beginning and end of period	\$ —	\$ —
ADDITIONAL PAID-IN CAPITAL		
Balance, beginning and end of period	740,993	740,993
ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF TAX		
Balance, beginning of period	53,443	55,875
Unrealized investment losses, net of transfers to realized investment gains and losses	(88,775)	(13,471)
Foreign currency translation	262	(1,184)
Balance, end of period	(35,070)	41,220
RETAINED EARNINGS		
Balance, beginning of period	166,757	84,321
Net income	116,363	39,555
Dividend to shareholder	(80,000)	—
Balance, end of period	203,120	123,876
TOTAL SHAREHOLDER'S EQUITY	\$ 909,043	\$ 906,089

The accompanying notes are an integral part of the consolidated financial statements.

CRUM & FORSTER HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)

	Three Months Ended March 31,	
	2006	2005
	(Unaudited)	
NET INCOME	\$ 116,363	\$ 39,555
Change in components of other comprehensive (loss) income for the period, before tax:		
Unrealized investment losses, net of transfers to realized investment gains and losses	(136,578)	(20,726)
Foreign currency translation	403	(1,821)
Other comprehensive loss for the period, before tax	(136,175)	(22,547)
Deferred income tax benefit (expense) for the period:		
Deferred income tax benefit from unrealized investment losses	47,803	7,255
Deferred income tax (expense) benefit from foreign currency translation	(141)	637
Total deferred income tax benefit for the period	47,662	7,892
Other comprehensive loss for the period, net of tax	(88,513)	(14,655)
COMPREHENSIVE INCOME	\$ 27,850	\$ 24,900

The accompanying notes are an integral part of the consolidated financial statements

CRUM & FORSTER HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Three Months Ended March 31,	
	2006	2005
	(Unaudited)	
OPERATING ACTIVITIES		
Net income	\$ 116,363	\$ 39,555
Adjustments to reconcile net income to net cash from operating activities:		
Net accretion of discount on fixed income securities	(2,141)	(18)
Realized investment gains	(121,822)	(14,250)
Earnings of equity method investees	(26,757)	(14,913)
Depreciation and amortization	816	865
Deferred income tax benefit	(9,701)	(1,562)
Other non-cash net income adjustments	4,199	4,080
Changes in:		
Premiums receivable	(27,044)	8,485
Reinsurance recoverable	43,717	(37,692)
Prepaid reinsurance premiums	(762)	873
Deferred policy acquisition costs	(7,219)	(207)
Other assets	26,509	19,073
Unpaid losses and loss adjustment expenses	(32,065)	31,124
Unearned premiums	49,387	6,973
Accounts payable and other liabilities	13,795	37,792
Net cash from operating activities	27,275	80,178
INVESTING ACTIVITIES		
Purchases of fixed income securities	(85,245)	(93,427)
Proceeds from sales of fixed income securities	174,621	42,703
Purchases of equity securities	(134,811)	(109,767)
Proceeds from sales of equity securities	197,149	75,947
Purchases of other invested assets	(546)	(39,279)
Proceeds from sales of other invested assets	3,371	664
Proceeds from short-sale obligations	—	100,013
Cash pledged for short-sale obligations	(34,252)	(105,826)
Purchases of fixed assets	(209)	(108)
Net cash from investing activities	120,078	(129,080)
FINANCING ACTIVITIES		
Dividend to shareholder	(80,000)	—
Net cash from financing activities	(80,000)	—
Net change in cash and cash equivalents	67,353	(48,902)
Cash and cash equivalents, beginning of period	245,441	429,205
Cash and cash equivalents, end of period	\$ 312,794	\$ 380,303
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid to parent for income taxes	\$ 23,168	\$ 1,957

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, dollars in thousands)

1. Organization and Basis of Presentation

Crum & Forster Holdings Corp. (the “Company” or “Crum & Forster”) is a Delaware holding company, which is 100% owned by Fairfax Inc., a Wyoming holding company. Fairfax Inc. is ultimately owned by Fairfax Financial Holdings Limited (“Fairfax”), a Canadian financial services holding company, which is publicly traded on the Toronto Stock Exchange and the New York Stock Exchange under the symbols “FFH.SV” and “FFH”, respectively. The Company, through its subsidiaries, offers a full range of commercial property and casualty insurance distributed through an independent producer force located across the United States.

These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and include the accounts of the Company and its wholly-owned subsidiaries, including Crum & Forster Holding Inc., United States Fire Insurance Company (“US Fire”), The North River Insurance Company (“North River”), Crum & Forster Indemnity Company and Crum and Forster Insurance Company. US Fire owns 100% of the stock of Crum & Forster Specialty Insurance Company. North River owns 100% of the stock of Seneca Insurance Company, Inc. and its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Such estimates and assumptions may differ from actual results. Certain financial information that is normally included in annual financial statements, including certain financial statement footnotes, prepared in accordance with GAAP, is not required for interim reporting purposes and has been condensed or omitted herein. These consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements, and notes related thereto, included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2005 filed with the Securities and Exchange Commission (“SEC”) on March 22, 2006.

The interim financial data at March 31, 2006 and for the three months ended March 31, 2006 and 2005 is unaudited. However, in the opinion of management, the interim data includes all adjustments, consisting of normal recurring accruals necessary for a fair statement of the Company’s results for the interim periods. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. Certain amounts in the Company’s prior year consolidated financial statements have been reclassified to conform to the 2006 presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, dollars in thousands)

2. Unpaid Losses and Loss Adjustment Expenses

Changes in the Company's liability for unpaid losses and loss adjustment expenses ("LAE") are summarized as follows:

	Three Months Ended	
	March 31,	
	<u>2006</u>	<u>2005</u>
Gross unpaid losses and LAE, beginning of period	\$ 3,673,034	\$ 3,370,936
Less ceded unpaid losses and LAE	<u>1,682,768</u>	<u>1,360,996</u>
Net unpaid losses and LAE, beginning of period	<u>1,990,266</u>	<u>2,009,940</u>
Losses and LAE incurred related to:		
Current period	171,445	158,902
Prior years	<u>(2,433)</u>	<u>(5,269)</u>
Total losses and LAE incurred	<u>169,012</u>	<u>153,633</u>
Losses and LAE paid related to:		
Current period	8,106	8,980
Prior years	<u>157,176</u>	<u>148,918</u>
Total losses and LAE paid	<u>165,282</u>	<u>157,898</u>
Net unpaid losses and LAE, end of period	1,993,996	2,005,675
Add ceded unpaid losses and LAE	<u>1,646,972</u>	<u>1,396,385</u>
Gross unpaid losses and LAE, end of period	<u>\$ 3,640,968</u>	<u>\$ 3,402,060</u>

A reconciliation of the ceded unpaid losses and LAE in the table above to the reinsurance recoverable reflected on the balance sheet follows:

	March 31, <u>2006</u>
Ceded unpaid losses and LAE in the table above	\$ 1,646,972
Reconciling items:	
Reinsurance recoverable on paid losses and LAE	58,904
Unamortized retroactive reinsurance recoverable	375,744
Loss sensitive cession ¹	<u>(21,510)</u>
Total reconciling items	<u>413,138</u>
Reinsurance recoverable on the consolidated balance sheet	<u>\$ 2,060,110</u>

¹ Equals additional premiums due on retrospectively rated insurance policies that inure to the benefit of the reinsurer.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, dollars in thousands)

3. Asbestos and Environmental Losses and Loss Adjustment Expenses

Changes in the Company's liability for asbestos and environmental exposures are summarized as follows:

	Three Months Ended March 31,	
	2006	2005
Asbestos		
Gross unpaid losses and allocated LAE ("ALAE"), beginning of period	\$ 469,199	\$ 522,685
Less ceded unpaid losses and ALAE	92,418	113,891
Net unpaid losses and ALAE, beginning of period	376,781	408,794
Net losses and ALAE incurred	—	—
Net paid losses and ALAE	9,598	15,766
Net unpaid losses and ALAE, end of period	367,183	393,028
Add ceded unpaid losses and ALAE	93,895	106,492
Gross unpaid losses and ALAE, end of period	<u>\$ 461,078</u>	<u>\$ 499,520</u>
	2006	2005
Environmental		
Gross unpaid losses and ALAE, beginning of period	\$ 111,536	\$ 123,353
Less ceded unpaid losses and ALAE	37,293	38,190
Net unpaid losses and ALAE, beginning of period	74,243	85,163
Net losses and ALAE incurred	—	—
Net paid losses and ALAE	1,768	6,990
Net unpaid losses and ALAE, end of period	72,475	78,173
Add ceded unpaid losses and ALAE	35,334	36,457
Gross unpaid losses and ALAE, end of period	<u>\$ 107,809</u>	<u>\$ 114,630</u>

The Company also maintains reserves for other latent exposures such as those associated with silica, chemicals, lead, mold and gas and vapors of \$22,886 and \$20,869, net of reinsurance, at March 31, 2006 and 2005, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, dollars in thousands)

4. Reinsurance

The components of the Company's net premiums written and premiums earned are summarized as follows:

	Three Months Ended March 31,	
	2006	2005
Premiums written:		
Direct	\$ 310,368	\$ 286,019
Assumed from other companies, pools, or associations	36,833	2,424
Ceded to other companies, pools or associations	(51,857)	(49,043)
Net premiums written	\$ 295,344	\$ 239,400
Premiums earned:		
Direct	\$ 282,683	\$ 278,856
Assumed from other companies, pools, or associations	14,967	2,614
Ceded to other companies, pools or associations	(50,931)	(49,916)
Premiums earned	\$ 246,719	\$ 231,554

The components of the Company's total reinsurance recoverable are summarized as follows:

	March 31, 2006	December 31, 2005
Reinsurance recoverable on unpaid losses and LAE	\$ 2,001,206	\$ 2,040,381
Reinsurance receivable on paid losses and LAE	58,904	69,734
Total reinsurance recoverable	\$ 2,060,110	\$ 2,110,115

Corporate aggregate reinsurance

Crum & Forster's underwriting results are significantly affected by reinsurance. The Company purchases reinsurance to limit its exposure to loss from any one claim or occurrence ("per risk or per occurrence reinsurance"), from aggregate loss experience for an accident year that exceeds an amount the Company is willing to accept and from adverse development of prior years' loss and LAE reserves (the latter two types of reinsurance are referred to herein as "corporate aggregate reinsurance", as distinct from the aforementioned "per risk or per occurrence reinsurance"). The Company's corporate aggregate reinsurance contracts are of the type commonly referred to as "finite" reinsurance and cover or covered, in varying amounts and on varying terms, accident years 2002 and prior.

In general, contracts covering past insurable events, such as adverse loss development covers, are categorized as "retroactive reinsurance", as opposed to contracts covering future insurable events, which are referred to as "prospective reinsurance". Amounts ceded under prospective contracts are recognized, as to premiums, as a reduction of premiums written and earned in the period in which premiums are ceded and, as to losses, as a reduction of incurred losses as the losses are ceded to the reinsurer. Under retroactive contracts, the excess of reinsurance recoverable due from reinsurers pursuant to the contract over premiums paid for coverage is deferred and amortized as a reduction of incurred losses over the expected period of recovery, generally many years, using the interest method. Under both prospective and retroactive contracts, funds held interest, if applicable, is recognized as a reduction of investment income in the period in which the interest is credited to the funds held account.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, dollars in thousands)

The effect of prospective and retroactive corporate aggregate reinsurance on components of the Company's consolidated statements of income is summarized as follows (increase (decrease) in indicated components):

	Three Months Ended March 31,	
	2006	2005
Investment income	\$ (4,818)	\$ (4,887)
Losses and LAE	(3,379)	(3,690)
Income before income taxes	<u>\$ (1,439)</u>	<u>\$ (1,197)</u>

At March 31, 2006, reinsurance recoverable includes \$415,953 and \$428,808 related to prospective and retroactive corporate aggregate reinsurance contracts, respectively, of which \$490,528 has been recognized as a reduction of incurred losses and LAE on the Company's consolidated statements of income.

Prospective corporate aggregate reinsurance

An analysis of activity in prospective corporate aggregate reinsurance contracts follows:

	Three Months Ended March 31,	
	2006	2005
Ceded losses and LAE	\$ —	\$ —
Less: funds held interest charged to investment income	909	1,265
Decrease in income before income taxes	<u>\$ (909)</u>	<u>\$ (1,265)</u>

Retroactive corporate aggregate reinsurance

An analysis of activity in retroactive corporate aggregate reinsurance contracts follows:

	Three Months Ended March 31,	
	2006	2005
Increase in reinsurance recoverable due from insurers	\$ —	\$ —
Less: related premiums paid	—	—
Income deferred during the period	—	—
Amortization of deferred income	(3,379)	(3,690)
Decrease in deferred income	(3,379)	(3,690)
Deferred income on retroactive reinsurance—beginning of period	184,498	223,360
Deferred income on retroactive reinsurance—end of period	<u>\$ 181,119</u>	<u>\$ 219,670</u>
Funds held interest charged to investment income	<u>\$ 3,909</u>	<u>\$ 3,622</u>

For additional information on the Company's prospective and retroactive corporate aggregate reinsurance contracts, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2005 filed with the SEC on March 22, 2006.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, dollars in thousands)

5. Investments and Short-Sale Obligations

In February 2006, the Company sold its remaining shares of Zenith National Insurance Corp. for proceeds of \$169,311 and a realized gain of \$106,578.

The Company has purchased credit default swaps on securities issued by various U.S. companies, primarily in the banking, mortgage and insurance industries. These credit default swaps serve as hedges against declines in the fair value of various financial assets owned by the Company arising from potential financial reverses associated with any or all of these issuers or the industries in which they operate. At March 31, 2006 and December 31, 2005, the fair value of the Company's credit default swaps was \$26,700 and \$33,559, respectively. For the three months ended March 31, 2006 and 2005, the Company recorded net realized investment losses of \$6,859 and gains of \$468, respectively, as a result of changes in the fair value of the credit default swaps.

As an economic hedge against a decline in the U.S. equity markets, the Company executed short-sales of Standard & Poor's Depository Receipts ("SPDRs") in July 2004 and January 2005 totaling approximately \$300,000. Simultaneously, the Company purchased two-year S&P Index call options ("Options") limiting the potential loss on the future purchase of the SPDRs to \$60,000. The total cost of the Options was \$8,217. Both the obligations to purchase the SPDRs and the Options are carried at fair value on the consolidated financial statements. The fair value of the obligations to purchase the SPDRs is included in short-sale obligations and the fair value of the Options is included in other invested assets on the consolidated balance sheets. For the three months ended March 31, 2006 and 2005, the change in the fair value of the SPDRs obligation amounted to a loss of \$14,310 and a gain of \$4,691, respectively, and the change in the fair value of the Options amounted to a loss of \$1,046 and \$3,680, respectively. The net change in the fair value of the SPDRs obligation and the Options is included in realized investment gains on the consolidated statement of income. The fair values of the SPDRs obligation and the Options at March 31, 2006 and 2005 amounted to a liability of \$344,050 and \$312,700, respectively, and an asset of \$5,312 and \$6,931, respectively. The Company also incurs additional expense in an amount equal to the dividend earnings on the SPDRs sold. Dividend earnings on the SPDRs amounted to \$1,377 and \$1,238, respectively, for the three months ended March 31, 2006 and 2005 and are included as an investment expense on the consolidated statement of income.

In connection with the SPDRs transactions described above, the Company has pledged cash and U.S. Treasury securities as collateral for the obligation to purchase the SPDRs. These assets are recorded in assets pledged for short-sale obligations on the consolidated balance sheets. At March 31, 2006, the fair value of the assets pledged for the purchase of the SPDRs totaled \$479,999.

The Company owns 1.2% of the common shares of Odyssey Re Holdings Corp. ("Odyssey"), for which the Company uses the equity method of accounting. The Company has determined that the cumulative effect on its results of Odyssey's restatement of its financial statements as of and for each of the six years ended December 31, 2005 was not material.

6. Commitments and Contingencies

On September 7, 2005, Fairfax announced that it received a subpoena from the SEC requesting documents regarding any non-traditional insurance or reinsurance transactions entered into or offered by Fairfax and the entities in its consolidated group. The U.S. Attorney's Office for the Southern District of New York is reviewing documents produced by Fairfax and the entities in its consolidated group to the SEC and is participating in the investigation of these matters. Fairfax and entities in its consolidated group are cooperating fully with these requests. Fairfax has prepared presentations and provided documents to the SEC and the U.S. Attorney's Office, and its employees, including senior officers, have attended or have been requested to attend interviews conducted by the SEC and the U.S. Attorney's Office.

Fairfax and its Chief Executive Officer, V. Prem Watsa, who is also the chairman of the board of directors of the Company, received subpoenas from the SEC in connection with the answer to a question on Fairfax's February 10, 2006 investor conference call concerning the review of finite insurance contracts of Fairfax and entities in its consolidated group. In the fall of 2005, Fairfax and entities in its consolidated group, including the Company, prepared and provided to the SEC a list intended to identify certain finite contracts and contracts with other non-traditional features of all Fairfax consolidated group companies. As part of the 2005 reporting and closing process, Fairfax and entities in its consolidated group, including the Company, internally reviewed all of the contracts on the list provided to the SEC and some additional contracts as deemed appropriate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, dollars in thousands)

For those reinsurance contracts that the Company identified as finite or non-traditional reinsurance contracts, the Company consolidated relevant contract documentation into a single compendium, prepared memoranda regarding the rationale and economic intent of each contract and prepared analyses of reinsurer experience where contemporaneous documentation of risk transfer was not available.

It is possible that other governmental and enforcement agencies will seek to review information related to these matters, or that Fairfax and entities in its consolidated group, including the Company, or other parties with whom they interact, such as customers or shareholders, may become subject to direct requests for information or other inquiries by such agencies. These inquiries are ongoing and Fairfax and entities in its consolidated group, including the Company, continue to comply with requests for information from the SEC and the U.S. Attorney's Office. At the present time, the Company cannot predict the outcome from these continuing inquiries, or the ultimate effect on its financial statements, which effect could be material and adverse.

The Company and US Fire, among numerous other insurance company and insurance broker defendants, have been named as defendants in a class action suit filed by policyholders alleging, among other things, that the defendants used the contingent commission structure to deprive policyholders of free competition in the market for insurance. The action is pending in the U.S. District Court for the District of New Jersey. Plaintiffs seek certification of a nationwide class consisting of all persons who between August 26, 1994 and the date of class certification engaged the services of any one of the broker defendants and who entered into or renewed a contract of insurance with one of the insurer defendants. The Company and US Fire intend to defend vigorously the action.

In the ordinary course of their business, Crum & Forster's subsidiaries receive claims asserting alleged injuries and damages from asbestos and other hazardous waste and toxic substances and are subject to related coverage litigation. The conditions surrounding the final resolution of these claims and the related litigation continue to change. Currently, it is not possible to predict judicial and legislative changes and their impact on the future development of asbestos and environmental claims and litigation. This trend will be affected by future court decisions and interpretations, as well as changes in applicable legislation and the possible implementation of a proposed federal compensation scheme for asbestos-related injuries. As a result of these uncertainties, additional liabilities may arise for amounts in excess of current reserves for asbestos, environmental and other latent exposures. These additional amounts, or a range of these additional amounts, cannot currently be reasonably estimated. As a result of these claims, management continually reviews required reserves and reinsurance recoverable. In each of these areas of exposure, the Company litigates individual cases when appropriate and endeavors to settle other claims on favorable terms.

The Company's subsidiaries are involved in various lawsuits and arbitration proceedings arising in the ordinary course of business. While the outcome of such matters cannot be predicted with certainty, in the opinion of management, no such matter is likely to have a material adverse effect on the Company's consolidated net income, financial position or liquidity. However, it should be noted that the frequency of large damage awards in some jurisdictions, including punitive damage awards that bear little or no relation to actual economic damages incurred by plaintiffs, continues to create the potential for an unpredictable judgment in any given matter.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, dollars in thousands)

7. Segment Reporting

The Company operates in the commercial property and casualty insurance business. Premiums earned for the Company's lines of business are summarized as follows:

	Three Months Ended March 31,	
	2006	2005
Workers' compensation	\$ 74,800	\$ 71,336
General liability	56,852	49,307
Commercial automobile	49,996	45,091
Property	49,038	47,992
Commercial multi-peril	12,340	11,524
Surety	3,693	6,304
Total premiums earned	<u>\$ 246,719</u>	<u>\$ 231,554</u>

The losses and LAE and losses and LAE ratios of the Company's lines of business are summarized as follows:

	Three Months Ended March 31,			
	2006		2005	
	Amount	Ratio	Amount	Ratio
Workers' compensation	\$ 57,756	77.2%	\$ 65,128	91.3%
General liability	43,228	76.0%	32,364	65.6%
Commercial automobile	30,096	60.2%	26,441	58.6%
Property	29,826	60.8%	16,242	33.8%
Commercial multi-peril	4,792	38.8%	6,510	56.5%
Surety	3,314	89.7%	6,948	110.2%
Total losses and LAE	<u>\$ 169,012</u>	68.5%	<u>\$ 153,633</u>	66.3%

The first quarter 2005 results were affected by favorable development in the property line of business associated with the 2004 hurricanes and strengthening of loss and LAE reserves in the workers' compensation line of business.

The Company does not allocate investment results or certain corporate expenses for purposes of evaluating financial performance of each line of business.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion relates to the critical accounting policies and estimates, the consolidated results of operations, financial condition, liquidity and capital resources of the Company for the interim periods indicated. Within this discussion, the terms "Company" or "Crum & Forster" refer to Crum & Forster Holdings Corp. and its direct and indirect subsidiaries, including United States Fire Insurance Company ("US Fire"), The North River Insurance Company ("North River"), Crum & Forster Indemnity Company and Crum and Forster Insurance Company. US Fire owns 100% of the stock of Crum & Forster Specialty Insurance Company. North River owns 100% of the stock of Seneca Insurance Company, Inc. and its subsidiaries. The term "Fairfax" refers to Fairfax Inc., Crum & Forster's parent company, and Fairfax Financial Holdings Limited, which holds a 100% indirect interest in Fairfax Inc.

Certain financial information that is normally included in annual financial statements, including certain financial statement footnotes, prepared in accordance with Generally Accepted Accounting Principles ("GAAP"), is not required for interim reporting purposes and has been condensed or omitted herein. This discussion, and the related consolidated financial statements, should be read in conjunction with the Company's consolidated financial statements, and notes related thereto, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2005 filed with the Securities and Exchange Commission ("SEC") on March 22, 2006. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

All dollar amounts are in thousands, unless otherwise indicated.

Statements Regarding Forward-Looking Information

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These are statements that relate to future periods and include statements regarding the Company's anticipated performance. Generally, the words "anticipates", "believes", "expects", "intends", "estimates", "projects", "plans", "target", "potential", "likely", "may", "could", "should" and similar expressions identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the Company's actual results, performance or achievements or industry results to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other important factors include, but are not limited to, the following:

- Lowering or loss of one of the Company's financial strength ratings;
- Insufficient loss reserves, including reserves for asbestos, environmental and other latent claims;
- Occurrence of natural or man-made catastrophic events;
- Inability to obtain reinsurance coverage on reasonable terms and prices;
- Competitive conditions in the insurance market;
- Changes in the business or regulatory environment in which the Company operates as a result of recent insurance industry investigations by government authorities and other parties;
- SEC requests for information from the Company;
- Inability to realize the Company's investment objectives;
- Loss of key producers;
- Exposure to emerging claims and coverage issues;
- Restrictions on the ability of the Company's insurance subsidiaries to pay dividends;
- Subordination of debt securities to the obligations and liabilities of the Company's insurance subsidiaries;
- Exposure to credit risk, in the event reinsurers or policyholders that owe the Company premiums or reimbursement of deductibles paid by the Company on their behalf fail to pay;
- Adverse developments in the prospects or results of operations of Fairfax or its affiliates;
- Loss of key employees;
- Changes in governmental regulations;
- Exposure to credit risks on novated policies; and
- Limited ability to borrow.

Although the Company believes that its forward-looking statements are based upon reasonable assumptions, management can give no assurance that the Company's goals will be achieved. Given these uncertainties, prospective investors are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statements made in this report are made by the Company as of the date of this report. Except as otherwise required by federal securities laws, the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Additional information regarding these factors, and others that could cause actual results to differ materially from expectations, is included in the Company's Annual Report on Form 10-K filed with the SEC on March 22, 2006. The information appearing under "Risk Factors" in such Annual Report is incorporated by reference into, and made a part of, Part II of this Form 10-Q.

Critical Accounting Policies and Estimates

The Company's consolidated financial statements and related notes thereto are prepared in accordance with GAAP. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of material contingent assets and liabilities at the balance sheet date and the revenues and expenses reported during the relevant period. In general, management's estimates are based on historical experience, evaluation of current trends, information from third party professionals and various other assumptions that are believed to be reasonable under the known facts and circumstances.

The accounting policies and estimates discussed below are those that require management to make assumptions about highly uncertain matters. If management were to make different assumptions about those matters, or if actual results were to differ significantly from management's estimates, the company's reported consolidated results of operations and financial condition could be materially affected.

The Company's significant accounting policies are described in detail in Note 2 to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2005 filed with the SEC on March 22, 2006.

Unpaid losses and loss adjustment expenses

The most significant accounting estimates relate to the Company's reserves for unpaid losses and loss adjustment expenses ("LAE"). Unpaid losses and LAE include reserves for both reported (case reserves) and unreported losses and LAE. When the Company is notified of insured losses, claims personnel set up case reserves for the estimated amount of settlement, if any, which excludes estimates of expenses to settle claims, such as legal and other fees and the general expenses of administering the claims adjustment process. The estimate reflects the judgment of claims personnel, or of independent claims adjusters hired by the Company, the scope of coverage available for the reported claim under each individual policy assuming application of controlling state contract law, general reserving practices, the experience and knowledge of such personnel regarding the nature of the specific claim and, where appropriate, advice of counsel, with the goal of setting the reserve at the ultimate expected loss amount as soon as sufficient information becomes available.

Losses and LAE are charged to income as they are incurred. During the loss settlement period, reserves established in prior years are adjusted as loss experience develops and new information becomes available. Adjustments to previously estimated reserves, both positive and negative, are reflected in the Company's financial results in the periods in which they are made, and are referred to as prior period development. Due to the high level of uncertainty, revisions to these estimated reserves could have a material impact on the Company's results of operations in the period recognized and actual payments for claims and LAE could ultimately be significantly different from estimates.

In 2005 and 2004, based on the Company's internal actuarial review and an independent actuarial firm's ground-up study of the Company's asbestos reserves, the Company strengthened its asbestos, environmental and other latent reserves by \$44,646 and \$100,542, respectively. No adjustment was made to asbestos, environmental or other latent reserves in the three months ended March 31, 2006.

Other than temporary declines in value of investments

The Company's fixed income and equity securities are principally categorized as "available-for-sale" and are carried at their fair value based primarily on quoted market prices. Unrealized gains or losses on the Company's investments, net of applicable income taxes, are included in other comprehensive income. Declines in the market value of invested assets below carrying value are evaluated for other than temporary impairment losses on a quarterly basis. Management considers an impairment as "other than temporary" if evidence indicating that an investment's carrying amount is recoverable within a reasonable period of time, which in the case of fixed income securities may mean until maturity, is outweighed by evidence to the contrary. Management also considers the Company's ability and intent to hold an investment until such recovery of the security's fair value. Notwithstanding the foregoing, with respect to fixed income securities, an impairment may be considered other than temporary if it is probable that the Company will be unable to collect all amounts due under the terms of the securities.

Recognition of impairment losses for declines in the value of fixed income and equity securities attributable to issuer-specific events is based upon all relevant facts and circumstances for each investment. Factors considered by management include, but are not limited to, the impact of issuer-specific events, current and expected future market and economic conditions, the nature of the investment, the number of investment positions with losses, the severity and duration of the impairment and the volatility of the security's market price.

No other than temporary impairments were recorded for the three months ended March 31, 2006. For the three months ended March 31, 2005, charges for other than temporary impairments amounted to \$3,889. See "Liquidity and Capital Resources – *Insurance Subsidiaries*" below for a further discussion of investments in an unrealized loss position.

Reinsurance recoverable

Amounts recoverable from reinsurers are initially estimated in conjunction with the establishment of reserves for unpaid losses and LAE. These amounts may be adjusted as actual case reserves are recorded and reinsured claims are settled. The ceding of risk to reinsurers does not relieve the operating companies of their primary obligation to policyholders as the direct insurer. Accordingly, the Company is exposed to the risk that any reinsurer may be unable, or unwilling, to meet the obligations assumed under its reinsurance agreements. Management attempts to mitigate this risk by obtaining collateral and by entering into reinsurance arrangements only with reinsurers that have credit ratings and statutory surplus above certain levels.

In certain circumstances, including the significant deterioration of a reinsurer's financial strength rating, the Company may engage in commutation discussions with an individual reinsurer, essentially canceling and settling the contract at its net present value. The outcome of such discussions may result in a lump sum settlement that is less than the recorded recoverable balance. Losses arising from commutations could have an adverse impact on the Company's results of operations. An estimated allowance for uncollectible reinsurance recoverable is recorded on the basis of periodic evaluation of balances due from reinsurers, judgments regarding reinsurer solvency, known disputes, reporting characteristics of the underlying reinsured business, historical experience, current economic conditions and the state of insurer/reinsurer relations in general, and at the Crum & Forster companies in particular.

At March 31, 2006 and December 31, 2005, reinsurance recoverable was \$2,060,110 and \$2,110,115, net of reserves for uncollectible reinsurance of \$35,221 and \$34,441, respectively. The provision for uncollectible reinsurance for the three months ended March 31, 2006 and 2005 was \$2,000 and \$1,000, respectively. While management believes the allowance for uncollectible reinsurance recoverable is adequate based on information currently available, failure of reinsurers to meet their obligations could have a material adverse impact on the Company's financial position and results of operations.

Deferred income tax assets

The Company recognizes deferred tax assets and liabilities based on differences between the financial statement carrying amounts and the tax bases of assets and liabilities. Management regularly reviews the Company's deferred tax assets for recoverability based on history of earnings, expectations for future earnings and expected timing of reversals of temporary differences.

Although realization is not assured, management believes the recorded deferred tax assets are fully recoverable based on estimates of the future profitability of Crum & Forster's taxable subsidiaries and current forecasts for the periods through which losses may be carried back and/or forward. The Company has several material deferred tax assets, including deferred gain on retroactive reinsurance, loss reserve discounting, net operating losses and unearned premium adjustment. The realizability of these reversing deferred tax assets is considered in conjunction with similar originating deferred tax assets and other taxable income. The Company's current projections of future taxable income are based on assumptions of modest business growth and relatively stable combined ratios, with portfolio yields approximating current levels.

At March 31, 2006, there are no valuation allowances against the Company's deferred tax assets of \$266,347. Should the assumptions of future profitability change significantly, however, or the taxable income of these entities fall far below expectations, a valuation allowance, which could be significant, may have to be established if management believes any portion of the deferred tax asset will not be realized. A valuation allowance may also be required if there is a material change in the tax laws such that the actual effective tax rate or the time periods within which the underlying temporary differences become taxable or deductible change. Realization of the deferred tax asset under Statement of Financial Accounting Standards No. 109 ultimately depends on the existence of sufficient taxable income available under tax law, including future reversals of existing temporary differences, future taxable income exclusive of reversing differences, taxable income in prior carryback years and tax planning strategies. Future profitability, as it relates to taxable income expectations discussed above, can be negatively affected by substantial changes in premium volume, persistent underwriting losses resulting from significant events such as severe natural disasters, large settlements for asbestos or environmental claims or materially lower investment results. While underwriting losses reduced taxable income in years 2002 through the first quarter of 2006, the Company generated sufficient taxable income through capital gains and other investment income to realize deferred tax benefits of \$61.3 million during this period.

Summary of Operations

The Company is a national commercial property and casualty insurance company with a focused underwriting strategy, targeting specialty classes of business and underserved market opportunities. Operating through its home office and regional branch network, the Company writes a broad range of commercial coverage, including workers' compensation, general liability, property, commercial automobile, commercial multi-peril and surety. The Company generally conducts business on a brokerage basis through more than 1,200 producers located throughout the United States, including Fairmont producers as discussed below. The Company's two largest producers accounted for approximately 9% and 7% of gross premiums written for the three months ended March 31, 2006.

The Company's objective is to expand opportunistically into classes of business or market segments that are consistent with its underwriting expertise and have the potential to generate an underwriting profit. Management believes the Company's ability to identify and react to changing market conditions provides it with a competitive advantage.

Based on the experience and underwriting expertise of management, the Company seeks to write new lines of business and expand existing classes of business based on market conditions and expected profitability. The Company offers insurance products designed to meet specific insurance needs of targeted policyholder groups and underwrites specific types of coverage for markets that are generally underserved by the industry.

The profitability of property and casualty insurance companies is primarily determined by their underwriting results and investment performance. Underwriting results are the net result of a company's premiums earned and amounts paid, or expected to be paid, to settle insured claims and policy acquisition costs and other underwriting expenses. The insurance business is unique in that premiums charged for insurance coverage are set without certainty of the ultimate claim costs to be incurred on a given policy. This requires that liabilities be estimated and recorded in recognition of future loss and settlement obligations. Due to the inherent uncertainty in estimating these liabilities, there can be no assurance that actual liabilities will not exceed recorded amounts or premiums received. The ultimate adequacy of premium rates is affected mainly by the severity and frequency of claims, which are influenced by many factors, including natural and man-made disasters, regulatory measures and court decisions that define and expand the extent of coverage. Insurance premium rates are also influenced by available insurance capacity or the industry's willingness to deploy capital to cover each insurable risk.

Premiums collected are invested until funds are required to pay settled claims. Insurance company investment portfolios generally must provide a balance among total return, capital preservation and liquidity in order to generate sufficient funds for payment of claims as they are settled. The Company follows a long-term, value-oriented investment philosophy, with the goal of optimizing investment returns viewed on a total return basis, without reaching for yield, while maintaining sensitivity to liquidity requirements. The Company attempts to protect its capital from loss. Management believes that investing in debt and equity securities selling at prices below intrinsic value better protects the Company's capital.

Management monitors the contribution to earnings of underwriting operations and investment results separately. The ability to achieve underwriting profitability on a consistent basis is the core competency of a property and casualty insurance company, demonstrating discipline, individual risk selection and pricing skills, and effective risk management on a portfolio basis. The underwriting functions of the Company are managed separately from the investment operations. Accordingly, in assessing the Company's results of operations, management evaluates underwriting results separately from investment performance.

With respect to the Company's underwriting operations, management monitors key indicators of growth and profitability. Growth is generally measured in terms of gross premiums written. Management further monitors growth in its gross premiums written in terms of its rate of retention of existing policyholders, increases or decreases in the pricing of renewed policies and the growth in new business premiums. Underwriting profitability is measured both in dollars and by the combined ratio, a standard industry measure. Underwriting profit or loss equals premiums earned less losses and LAE, policy acquisition costs and other underwriting expenses. The combined ratio expresses underwriting results as a percentage of premiums earned and generally comprises two components: the loss ratio, which is the percentage of losses and LAE to premiums earned, and the expense ratio, which is the percentage of the sum of policy acquisition costs and other underwriting expenses to premiums earned. A combined ratio less than 100% indicates an underwriting profit; a combined ratio greater than 100% indicates an underwriting loss.

Underwriting profit or loss expressed in dollars is considered a non-GAAP financial measure. The table at the beginning of the Results of Operations section that follows presents the separate contribution of underwriting and investment operations to income before income taxes on a GAAP basis. An understanding of a property and casualty insurance company's financial condition, results of operations and profit and growth prospects begins with an assessment of the entity's ability to underwrite effectively. Underwriting is the core business of such companies; investment operations are a separate function. Management monitors the Company's consolidated results on this basis and likewise reports such results to its board of directors. Rating agencies and securities analysts also focus separately on underwriting and investment results. In annual and quarterly statements to state insurance regulators prepared in accordance with Statutory Accounting Practices, underwriting profit or loss is presented separately from investment results. Underwriting profit or loss, together with the related combined ratio, are widely followed measures in the property and casualty insurance industry.

Investment results are generally measured in terms of total return on assets under management. Growth in the Company's cash and invested assets is also a key measure of investment performance.

The property and casualty insurance business is cyclical and influenced by many factors, including price competition, economic conditions, natural and man-made disasters (for example, hurricanes, earthquakes and terrorism), availability and cost of reinsurance, interest rates, state regulations, court decisions and changes in the law. Commencing in mid-2000 and through mid-2003, insurers generally achieved significant rate increases and improved terms and conditions. In 2003, however, market capacity expanded, particularly for property risks. In the fourth quarter of 2003 and through 2004 and 2005, property risks generally were written at or below expiring prices. Price increases in casualty lines slowed considerably in 2004 while casualty risks were generally written at or below expiring prices in 2005. For the first quarter of 2006, renewal pricing in the Company's casualty lines continued to decline by single digits while renewal pricing in the Company's property lines generally increased, with such increases varying largely based on potential exposure to catastrophes.

Effective January 1, 2006, Fairfax announced that certain of the business of the insurance companies of Fairmont Specialty Group, affiliates of Fairfax, would be carried on as Fairmont Specialty, a division of Crum & Forster (“Fairmont”), thereby giving Fairmont access to the “A-” A.M. Best rating of Crum & Forster. For the three months ended March 31, 2006, Fairmont reported gross premiums written, net premiums written and premiums earned of \$33,718, \$29,024 and \$7,760, respectively, which included energy and agricultural, standard personal and commercial lines, accident and health and bail bond premiums. The Company did not assume the December 31, 2005 unearned premium reserves associated with the Fairmont business; accordingly, the Company’s premiums earned for the three months ended March 31, 2006 include only the portion of the Fairmont business effective on or after January 1, 2006 that was earned in the period.

The Company restructured its property reinsurance effective March 1, April 1 and May 1, 2006. Effective March 1, 2006, the Company restructured its \$23 million in excess of \$2 million property per risk treaty as follows: (1) the Company retains the first \$5 million per insured; (2) the next \$5 million in excess of \$5 million is ceded on a per insured basis 100% to nSpire Re Limited (“nSpire”), a Fairfax affiliate; and (3) the next \$15 million in excess of \$10 million layer is reinsured on a per risk basis 100% by third party reinsurers. This treaty expires May 1, 2007.

Effective April 1, 2006, Seneca Insurance Company and its subsidiaries (“Seneca”) entered into a separate property catastrophe reinsurance treaty providing coverage of \$25 million in excess of \$5 million per occurrence for an annual premium of \$2,625. Seneca was previously covered under the Company’s corporate-wide property catastrophe treaty. Odyssey America Reinsurance Corporation (“Odyssey America”), a Fairfax affiliate, has an 11.25% participation in the second layer of \$10 million in excess of \$10 million.

Effective May 1, 2006, the Company placed its property catastrophe treaty. The Company purchased \$210 million of coverage in excess of \$40 million per occurrence in three layers of \$30 million, \$80 million and \$100 million. The Company retains approximately 57% of the first layer, 7% of the second layer and none of the third layer. NSpire has a 10% participation in the first layer. Odyssey America and nSpire participate approximately 13% in the aggregate in each of the second and third layers. The premium for the coverage, net of Company retentions, is \$49,744. In the event of a covered loss equal to net and treaty limits, the Company’s net retained loss would be \$62,653. The foregoing premium and net retained loss figures exclude Seneca.

Results of Operations

The components of the Company’s net income, and certain ratios based thereon, are summarized as follows:

	Three Months Ended March 31,	
	2006	2005
Gross premiums written	\$ 347,201	\$ 288,443
Net premiums written	\$ 295,344	\$ 239,400
Premiums earned	\$ 246,719	\$ 231,554
Losses and LAE	169,012	153,633
Underwriting expenses	70,258	63,809
Underwriting income	7,449	14,112
Investment income and realized investment gains and losses	178,280	48,907
Interest and other expense	10,905	9,532
Income before income taxes and equity in earnings of investees	174,824	53,487
Income tax expense	60,320	18,365
Income before equity in earnings of investees	114,504	35,122
Equity in earnings of investees, net of tax	1,859	4,433
Net income	\$ 116,363	\$ 39,555
Loss and LAE ratio	68.5%	66.3%
Underwriting expense ratio	28.5	27.6
Combined ratio	97.0%	93.9%

Net income for the three months ended March 31, 2006 was \$116,363 as compared to \$39,555 for the three months ended March 31, 2005. The increase in net income was primarily due to a \$106,578 gain on the sale of shares of Zenith National Insurance Corp. (“Zenith”), an increase of \$15,476 in earnings from HWIC Asia Fund, an affiliated equity method investee, and lower underwriting income. The combined ratio increased to 97.0% in 2006 from 93.9% in 2005 reflecting a higher loss ratio due to price decreases on renewal policies combined with inflationary trends in loss costs. The addition of Fairmont’s business also contributed to the combined ratio increase by adding to the Company’s fixed expenses but only modestly to its premiums earned for the three months ended March 31, 2006.

Underwriting results

Gross premiums written

Gross premiums written by line of business are summarized as follows:

	Three Months Ended March 31,			
	2006	2005	Increase/ (Decrease)	Percent Change
Workers' compensation	\$ 82,594	\$ 75,031	\$ 7,563	10.1%
General liability	89,623	69,996	19,627	28.0%
Commercial automobile	66,366	52,199	14,167	27.1%
Property	88,796	71,428	17,368	24.3%
Commercial multi-peril	17,222	11,338	5,884	51.9%
Surety	2,600	8,451	(5,851)	(69.2)%
Total gross premiums written	<u>\$ 347,201</u>	<u>\$ 288,443</u>	<u>\$ 58,758</u>	20.4%

For the three months ended March 31, 2006, gross premiums written increased by \$58,758, or 20.4%, as compared to the three months ended March 31, 2005. The increase includes \$33,718 of Fairmont's premiums, of which \$5,528, \$10,962, \$7,844, \$2,702, \$5,686 and \$996 relate to the workers' compensation, general liability, commercial automobile, property, commercial multi-peril and surety lines of business, respectively. Excluding Fairmont, gross premiums written increased by \$25,040, or 8.7%, primarily due to an increase in new business of \$22,399.

Casualty gross premiums written

For the three months ended March 31, 2006, gross premiums written in casualty lines, which include the workers' compensation, general liability and commercial automobile lines of business, increased by \$41,357, or 21.0%, as compared to the three months ended March 31, 2005. This increase includes \$24,334 of Fairmont's premiums. Excluding Fairmont, gross premiums written increased by \$17,023, or 8.6%, due to an increase in new business and a relatively stable renewal retention rate.

Property gross premiums written

For the three months ended March 31, 2006, gross premiums written in property lines, which include the property, commercial multi-peril and surety lines of business, increased by \$17,401, or 19.1%, as compared to the three months ended March 31, 2005. This increase includes \$9,384 of Fairmont's premiums. Excluding Fairmont, gross premiums written increased by \$8,017, or 8.8%, primarily due to an increase in new business.

Net premiums written

For the three months ended March 31, 2006, net premiums written increased by \$55,944, or 23.4%, as compared to the three months ended March 31, 2005. This increase was generally in line with the growth in gross premiums written.

Premiums earned

Premiums earned reflect the amount of net premiums written applicable to the portion of the policy term that expires in a given period. The Company generally earns premiums on a pro-rata basis over the period in which the coverage is provided. For the three months ended March 31, 2006, premiums earned increased by \$15,165, or 6.5%, as compared to the three months ended March 31, 2005. The lower increase in premiums earned relative to net premiums written was principally attributable to the lag in recognition of the increase in premiums written in the first quarter of 2006. A significant portion of the increase in premiums written was attributable to the addition of Fairmont's business, only a small portion of which was earned in the three months ended March 31, 2006.

Losses and loss adjustment expenses

For the three months ended March 31, 2006, the Company's calendar year loss and LAE ratio increased to 68.5% from 66.3% for the three months ended March 31, 2005. Fairmont's loss and LAE ratio was consistent with the Company's ratio. This increase is primarily due to the combined impact of modest price decreases on renewal policies, inflationary trends in loss costs and higher prior year favorable loss development. Included in prior year favorable loss development was \$3,379 and \$3,690 of amortization of deferred income on retroactive reinsurance contracts in the three months ended March 31, 2006 and 2005, respectively.

The accident year loss and LAE ratio was 69.5% for the three months ended March 31, 2006 compared to 68.6% for the three months ended March 31, 2005, primarily due to the combined impact of modest price decreases on renewal policies and inflationary trends in loss costs. The full year accident year 2005 loss ratio of 76.5% was negatively affected by hurricanes Katrina, Rita and Wilma.

Underwriting expenses

Underwriting expenses are comprised of policy acquisition costs and other underwriting expenses. Policy acquisition costs are those costs that vary with and are primarily related to the acquisition of new and renewal policies and are comprised of commissions paid to producers and premium taxes. Other underwriting expenses consist of all other operating expenses associated with the Company's underwriting activities, including salaries and benefits, information technology and rent. For the three months ended March 31, 2006, the Company's underwriting expense ratio was 28.5% as compared to 27.6% for the three months ended March 31, 2005.

The Company's policy acquisition expense ratio decreased to 12.7% for the three months ended March 31, 2006 from 13.2% for the three months ended March 31, 2005, primarily due to lower contingent commissions and lower premium taxes.

The Company's other underwriting expense ratio increased to 15.8% for the three months ended March 31, 2006 from 14.4% for the three months ended March 31, 2005, of which 1.2 percentage points was due to the 2006 addition of Fairmont's business, which added to the Company's fixed expenses beginning January 1, 2006 but only modestly to its net premiums earned for the three months ended March 31, 2006.

Investment results

Information on the Company's investment results is summarized as follows:

	Three Months Ended March 31,	
	2006	2005
Average investments, at book value ¹	<u>\$ 3,648,829</u>	<u>\$ 3,537,142</u>
Investment income	\$ 56,458	\$ 34,657
Realized investment gains	121,822	14,250
Pre-tax equity in earnings of investees	2,860	6,820
Change in unrealized investment gains and losses and foreign currency translation	(136,175)	(22,547)
Total return on investments	<u>\$ 44,965</u>	<u>\$ 33,180</u>
Annualized total return on investments	<u>4.9%</u>	<u>3.8%</u>

¹ Includes cash and cash equivalents and assets pledged for short-sale obligations

The Company manages its investment portfolio with an emphasis on total return. Total annualized rate of return was 4.9% and 3.8% for the three months ended March 31, 2006 and 2005, respectively. Funds held interest related to corporate aggregate reinsurance contracts reduced the annualized rate of return for the three months ended March 31, 2006 and 2005 by 0.6% and 0.5%, respectively. For the three months ended March 31, 2006, the increase in investment income of \$21,801, or 62.9%, was primarily due to an increase of \$15,476 in earnings from HWIC Asia Fund, an affiliated equity method investee.

Realized investment gains were \$121,822 for the three months ended March 31, 2006 as compared to \$14,250 for the three months ended March 31, 2005. The increase in realized investment gains was primarily due to a \$106,578 gain on the sale of Zenith common shares.

Pre-tax equity in earnings of investees was \$2,860 and \$6,820 for the three months ended March 31, 2006 and 2005, respectively. The decrease in pre-tax equity in earnings of investees of \$3,960 was primarily attributable to reduced earnings from Northbridge Financial Corporation ("Northbridge") and Odyssey Re Holdings Corp ("Odyssey"). Northbridge contributed \$3,893 and \$6,102 to the Company's pre-tax equity in earnings of investees in the three months ended March 31, 2006 and 2005, respectively. Odyssey contributed \$(1,016) and \$628 to the Company's pre-tax equity in earnings of investees in the three months ended March 31, 2006 and 2005, respectively.

Interest and other expense

For the three months ended March 31, 2006, interest and other expenses were \$10,905 compared to \$9,532 for the three months ended March 31, 2005. The higher expense was primarily due to fluctuations in corporate expenses incurred.

Liquidity and Capital Resources

Holding company

As a holding company with no direct operations, the Company's assets consist primarily of its investments in the capital stock of its insurance subsidiaries and deferred tax assets associated with holding company net operating losses. The Company requires cash to meet its annual debt service obligations (approximately \$31.1 million per year), to pay corporate expenses and, ultimately, to repay the \$300,000 aggregate principal amount of senior notes due 2013. Crum & Forster's ability to satisfy its corporate obligations is primarily dependent on the dividend paying capacity of its subsidiaries. State insurance laws restrict the amount of shareholder dividends that insurance companies may pay without prior approval of regulatory authorities.

The ability of the Company's insurance subsidiaries to pay dividends depends, among other things, on such subsidiaries having positive statutory earned surplus. The Company's principal insurance subsidiaries are US Fire and North River. At March 31, 2006, US Fire reported statutory earned surplus of \$197,690 and North River reported statutory earned surplus of \$60,863. On March 29, 2006, US Fire paid the Company a cash shareholder dividend of \$94,500. On March 30, 2006, the Company paid a cash shareholder dividend of \$80,000 to Fairfax. North River is expected to pay the Company a shareholder dividend of \$32.5 million in the second quarter of 2006 based on its dividend capacity of \$32.5 million at December 31, 2005. Neither US Fire nor North River may pay additional dividends in 2006 without prior regulatory approval.

Cash used in financing activities, which relates principally to holding company activities, was \$80,000 and \$0 in the three months ended March 31, 2006 and 2005, respectively. In the three months ended March 31, 2006, the cash used in financing activities was the result of a dividend of \$80,000 paid to Fairfax.

Shareholder's equity was \$909,043 at March 31, 2006, as compared to \$961,193 at December 31, 2005. The decrease was primarily the result of \$88,775 of unrealized investment losses, net of transfers to realized investment gains and losses, and a dividend payment of \$80,000 to Fairfax, partially offset by earnings of \$116,363 during the first quarter of 2006.

Insurance subsidiaries

At Crum & Forster's insurance subsidiaries, cash provided by operating activities primarily consists of premium collections, reinsurance recoveries and investment income. Cash provided from these sources is generally used for payment of losses and LAE, policy acquisition costs, operating expenses, ceded reinsurance premiums, income taxes and shareholder dividends, when permitted. Variability in cash provided by and used in operations can occur for many reasons, including changes in gross premiums written, changes in the Company's underwriting results, natural or man-made catastrophes, settlements of large claims including asbestos and environmental claims, commutation of reinsurance contracts and the timing of recoveries from reinsurers, particularly as related to claim payments for natural or man-made catastrophes and asbestos and environmental claims.

Cash provided by operating activities for the three months ended March 31, 2006 was \$27,275, as compared to \$80,178 for the three months ended March 31, 2005. The unfavorable variance from the prior year is due primarily to additional net paid losses, partially related to catastrophe events, and a \$21,211 increase in income tax payments as a result of higher realized investment gains.

Cash provided by investing activities for the three months ended March 31, 2006 was \$120,078 as compared to cash used in investing activities of \$129,080 in the three months ended March 31, 2005. In the three months ended March 31, 2006, proceeds from sales of fixed income and equity securities exceeded such proceeds in the corresponding 2005 period by \$253 million.

Investments in available-for-sale fixed income and equity securities are summarized below:

	At March 31, 2006			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed income securities:				
United States government and government agencies and authorities	\$ 1,696,912	\$ 27	\$ 155,243	\$ 1,541,696
States, municipalities and political subdivisions	7,072	37	28	7,081
Other corporate fixed income securities	275,569	13,898	204	289,263
Total fixed income securities	1,979,553	13,962	155,475	1,838,040
Equity securities:				
Common stocks	543,900	32,556	12,838	563,618
Preferred stocks	10,000	—	34	9,966
Total equity securities	553,900	32,556	12,872	573,584
Total available-for-sale securities	\$ 2,533,453	\$ 46,518	\$ 168,347	\$ 2,411,624

Certain individual available-for-sale securities had gross unrealized losses at March 31, 2006 totaling \$168,347, of which \$155,475 was attributable to fixed income securities and \$12,872 was attributable to equity securities. The total gross unrealized losses of \$168,347 represented 8.6% of the cost or amortized cost of such securities in the aggregate.

At March 31, 2006, U.S. Treasury securities accounted for substantially all of the \$155,475 of gross unrealized losses in the fixed income portfolio. These securities are backed by the full faith and credit of the United States government and the Company has the ability and intent to hold such securities for a period of time sufficient to allow a market recovery, or to maturity, if necessary.

At March 31, 2006, approximately \$6,027, or 46.8%, of the equity portfolio gross unrealized losses was attributable to one security with an unrealized loss in excess of 10% of its cost at March 31, 2006. The subject Company is a Fairfax affiliate operating in the property reinsurance industry. Management believes that the value of this security has been affected by the 2005 catastrophe losses, particularly hurricanes Katrina, Rita, and Wilma. The Company has the ability and intent to hold such security for a period of time sufficient to allow a market recovery. Two other securities had unrealized losses aggregating \$44 that exceeded 10% of their respective costs at March 31, 2006. The remaining balance of the unrealized losses was attributable to equity securities whose unrealized losses did not exceed 10% of their cost and which were not in a loss position for greater than 12 consecutive months.

The Company's investment portfolio has exposure to credit risk primarily related to fixed income securities. Management attempts to control this exposure by emphasizing investment grade credit quality in the fixed income securities purchased. Management believes that this concentration in investment grade securities reduces the Company's exposure to credit risk to an acceptable level. At both March 31, 2006 and December 31, 2005, 93.2% of the Company's fixed income securities were rated investment grade.

The Company's investment portfolio includes investments accounted for using the equity method. These investments had a total carrying value of \$376,985 and \$350,603 at March 31, 2006 and December 31, 2005, respectively, and are included in other invested assets on the consolidated balance sheets. For the three months ended March 31, 2006 and 2005, earnings of equity method investees were \$28,012 and \$16,079, respectively. Earnings of investment companies and similar equity method investees of \$25,152 and \$9,259, in the three months ended March 31, 2006 and 2005, respectively, are included in investment income on the consolidated statements of income. Pre-tax earnings of other equity method investees of \$2,860 and \$6,820 in the three months ended March 31, 2006 and 2005, respectively, are included in equity in earnings of investees, net of tax, on the consolidated statements of income. Dividends received from all equity method investees were \$1,254 and \$1,166 in the three months ended March 31, 2006 and 2005, respectively.

Ratings

Financial strength ratings issued by third party rating agencies are used by insurance consumers and insurance intermediaries as an important means of assessing the financial strength and quality of insurers. Higher ratings generally indicate relative financial stability and a strong ability to pay claims. Ratings focus on the following factors: capital resources, financial strength, demonstrated management expertise in the insurance business, credit analysis, systems development, marketing, investment operations, minimum policyholders' surplus requirements and capital sufficiency to meet projected growth, as well as access to such traditional capital as may be necessary to continue to meet standards for capital adequacy. Crum & Forster's insurance subsidiaries have an "A-" financial strength rating (the fourth highest of fifteen rating categories) with a stable outlook from A.M. Best, a rating agency and publisher for the insurance industry, and a "BBB" financial strength rating (the fourth highest of nine rating categories) from Standard & Poor's Insurance Rating Services, also a rating agency for the insurance industry. Crum & Forster's current ratings are the lowest necessary to compete in its targeted markets. The Company may not maintain its financial strength ratings from the rating agencies. A downgrade or withdrawal of any rating could severely limit or prevent the Company from writing quality new or renewal business, securing adequate reinsurance on acceptable terms and retaining its key management and employees. The Company's ratings by these rating agencies are based on a variety of factors, many of which are outside of its control, including the financial condition of Fairfax and its other subsidiaries and affiliates, the financial condition or actions of parties from which the Company has obtained reinsurance, factors relating to the sectors in which the Company or its reinsurers conduct business and the statutory surplus of its insurance subsidiaries, which is adversely affected by underwriting losses and dividends paid by them to Crum & Forster.

The financial strength ratings assigned by rating agencies to insurance companies represent independent opinions of an insurer's financial strength and its ability to meet ongoing obligations to policyholders, and are not directed toward the protection of investors. Ratings by rating agencies of insurance companies are not ratings of securities or recommendations to buy, hold or sell any security.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is principally exposed to three types of market risk related to its investment operations. These risks are interest rate risk, equity price risk and foreign currency exchange 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 the Company's investment portfolio.

Computations of the prospective effects of hypothetical interest rate, equity price and foreign exchange rate changes shown below are based on numerous assumptions, including the maintenance of the existing level and composition of fixed income, equity and foreign securities, and should not be relied on as indicative of future results. Certain shortcomings are inherent in the methods of analyses presented in the computations of the fair value of fixed rate instruments and in the computations of the impact of potential market movements on equity securities and foreign securities.

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, but not limited to, non-parallel shifts in the term structure of interest rates, changing individual issuer credit spreads and non-parallel movements of foreign exchange rates or equity prices.

Interest Rate Risk

At March 31, 2006, Crum & Forster's investment portfolio included \$1,969,435 of fixed income securities, including \$131,395 of assets pledged for short-sale obligations, that are subject to interest rate risk. Fluctuations in interest rates have a direct impact on the market values 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 Company's fixed income portfolio based on parallel 200 basis point shifts in interest rates up and down, in 100 basis point increments. This analysis was performed on each security individually.

	At March 31, 2006		
	Fair Value of Fixed Income Portfolio	Hypothetical \$ Change	Hypothetical % Change
200 basis point decline	\$2,539,954	\$ 570,519	29.0%
100 basis point decline	\$2,229,250	\$ 259,815	13.2%
Base scenario	\$1,969,435	\$ —	—%
100 basis point increase	\$1,754,536	\$(214,899)	(10.9)%
200 basis point increase	\$1,573,242	\$(396,193)	(20.1)%

Equity Price Risk

At March 31, 2006, the Company's investment portfolio included \$573,584 of equity securities. Marketable equity securities, which represented approximately 15.9% of the Company's investment portfolio, including cash and cash equivalents and assets pledged for short-sale obligations, are exposed to equity price risk, which is defined as the potential for loss in market value owing to declines in equity prices. A hypothetical 10% decline in the price of each of these marketable equity securities would result in a total decline of \$57,358 in the fair value of the equity portfolio at March 31, 2006. At December 31, 2005, a hypothetical 10% decline in the price of marketable equity securities would have resulted in a total decline of \$59,594 in the fair value of the equity portfolio. The decrease in the Company's exposure to equity price risk is the result of the decrease in the value of the equity portfolio from \$595,944 at December 31, 2005 to \$573,584 at March 31, 2006.

As an economic hedge against a decline in the U.S. equity markets, the Company has executed short-sales totaling approximately \$300,000 of Standard & Poor's Depository Receipts ("SPDRs"). Simultaneously, the Company purchased two-year S&P Index call options, limiting the potential loss on the future purchases of the SPDRs to \$60,000. A hypothetical 10% decrease in the price of the SPDRs would result in approximately a \$30,000 decrease in the obligations to purchase the SPDRs. The Company expects that a decline in the SPDRs obligations will offset losses in the equity portfolio in the event of a decline in the U.S. equity markets.

Foreign Currency Exchange Rate Risk

Through investments in foreign securities, including certain equity method investees, the Company is exposed to foreign currency exchange rate risk. Foreign currency exchange rate risk is the potential for loss in value owing to a decline in the U.S. dollar value of these investments due to a change in the exchange rate of the foreign currency in which these assets are denominated. At March 31, 2006, the Company's total exposure to foreign currency denominated securities in U.S. dollar terms was approximately \$431,990, or 12.0%, of the Company's total investment portfolio, including cash and cash equivalents and assets pledged for short-sale obligations. The primary foreign currency exposures were in Indian rupee denominated and Canadian dollar denominated securities, which represented 4.3% and 4.1%, respectively, of the Company's investment portfolio, including cash and cash equivalents and assets pledged for short-sale obligations. The potential impact of a hypothetical 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 decline in the fair value of the total investment portfolio of \$43,199 at March 31, 2006. At December 31, 2005, a hypothetical 10% decline in foreign currency exchange rates would have resulted in a total decline of \$39,743 in the fair value of the total investment portfolio. The increase in the Company's exposure to foreign currency exchange rate risk is the result of the increase in foreign currency denominated securities.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's principal executive officer and its principal financial officer have evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report. Based on that evaluation, such officers have concluded that the Company's disclosure controls and procedures are effective as of the end of such period.

Changes in Internal Control Over Financial Reporting

During the period covered by this report, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The design of any system of controls and procedures is based, in part, upon certain assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Part II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company and US Fire, among numerous other insurance company and insurance broker defendants, have been named as defendants in a class action suit filed by policyholders alleging, among other things, that the defendants used the contingent commission structure to deprive policyholders of free competition in the market for insurance. The action is pending in the U.S. District Court for the District of New Jersey. Plaintiffs seek certification of a nationwide class consisting of all persons who between August 26, 1994 and the date of the class certification engaged the services of any one of the broker defendants and who entered into or renewed a contract of insurance with one of the insurer defendants. The Company and US Fire intend to vigorously defend the action.

In the ordinary course of their business, Crum & Forster's subsidiaries receive claims asserting alleged injuries and damages from asbestos and other hazardous waste and toxic substances and are subject to related coverage litigation. The conditions surrounding the final resolution of these claims and the related litigation continue to change. Currently, it is not possible to predict judicial and legislative changes and their impact on the future development of asbestos and environmental claims and litigation.

This trend will be affected by future court decisions and interpretations, as well as changes in applicable legislation and the possible implementation of a proposed federal compensation scheme for asbestos-related injuries. As a result of these uncertainties, additional liabilities may arise for amounts in excess of current reserves for asbestos, environmental and other latent exposures. These additional amounts, or a range of these additional amounts, cannot currently be reasonably estimated. As a result of these claims, management continually reviews required reserves and reinsurance recoverable. In each of these areas of exposure, the Company litigates individual cases when appropriate and endeavors to settle other claims on favorable terms.

The Company's subsidiaries are involved in various lawsuits and arbitration proceedings arising in the ordinary course of business. While the outcome of such matters cannot be predicted with certainty, in the opinion of management, no such matter is likely to have a material adverse effect on the Company's consolidated net income, financial position, or liquidity. However, it should be noted that the frequency of large damage awards in some jurisdictions, including punitive damage awards that bear little or no relation to actual economic damages incurred by plaintiffs, continues to create the potential for an unpredictable judgment in any given matter.

On September 7, 2005, Fairfax announced that it received a subpoena from the SEC requesting documents regarding any non-traditional insurance or reinsurance transactions entered into or offered by Fairfax and the entities in its consolidated group. The U.S. Attorney's Office for the Southern District of New York is reviewing documents produced by Fairfax and the entities in its consolidated group to the SEC and is participating in the investigation of these matters. Fairfax and entities in its consolidated group are cooperating fully with these requests. Fairfax has prepared presentations and provided documents to the SEC and the U.S. Attorney's Office, and its employees, including senior officers, have attended or have been requested to attend interviews conducted by the SEC and the U.S. Attorney's Office.

Fairfax and its Chief Executive Officer, V. Prem Watsa, who is also the chairman of the board of directors of the Company, received subpoenas from the SEC in connection with the answer to a question on Fairfax's February 10, 2006 investor conference call concerning the review of finite insurance contracts of Fairfax and entities in its consolidated group. In the fall of 2005, Fairfax and entities in its consolidated group, including the Company, prepared and provided to the SEC a list intended to identify certain finite contracts and contracts with other non-traditional features of all Fairfax consolidated group companies. As part of the 2005 reporting and closing process, Fairfax and entities in its consolidated group, including the Company, internally reviewed all of the contracts on the list provided to the SEC and some additional contracts as deemed appropriate. For those reinsurance contracts that the Company identified as finite or non-traditional reinsurance contracts, the Company consolidated relevant contract documentation into a single compendium, prepared memoranda regarding the rationale and economic intent of each contract and prepared analyses of reinsurer experience where contemporaneous documentation of risk transfer was not available.

It is possible that other governmental and enforcement agencies will seek to review information related to these matters, or that Fairfax and entities in its consolidated group, including the Company, or other parties with whom they interact, such as customers or shareholders, may become subject to direct requests for information or other inquiries by such agencies. These inquiries are ongoing and Fairfax and entities in its consolidated group, including the Company, continue to comply with requests for information from the SEC and the U.S. Attorney's Office. At the present time, the Company cannot predict the outcome from these continuing inquiries, or the ultimate effect on its financial statements, which effect could be material and adverse.

Certain of the Company's subsidiaries have received formal letters of inquiry and/or requests for information from the departments of insurance of the States of Arizona, Delaware, New Jersey, North Carolina and Ohio. These states, which sent requests to multiple insurance companies and other industry members, are requesting documents and seeking information relating to the conduct of business between insurance brokers and certain Company subsidiaries. It is reported that other governmental and regulatory authorities are conducting similar inquiries, and the Company or its subsidiaries may receive additional requests for information from these authorities. The Company and its subsidiaries intend to cooperate fully with these requests for information.

Also, New York State's Attorney General, the SEC and certain state insurance departments have indicated that they are investigating the alleged use of finite and financial reinsurance products to "smooth" earnings or to otherwise bolster reported financial results. The NAIC and the insurance departments of Delaware and New Jersey requested that the Company provide information regarding the use of finite reinsurance agreements and side agreements. The Company's corporate aggregate reinsurance includes both prospective and retroactive reinsurance contracts that would commonly be classified as finite reinsurance. The investigations concerning the use of finite and financial reinsurance products continue to progress and management cannot give assurance regarding its ultimate impact on the industry or the Company.

ITEM 5. OTHER INFORMATION

Mr. Robbert Hartog retired as a director of the Company and chairman of its audit committee effective March 28, 2006. Mr. Paul Murray was elected to replace him on the board of directors and Mr. Frank B. Bennett was elected chairman of the Company's audit committee. A Form 8-K was not required to be filed in connection with these changes to the board of directors of the Company.

ITEM 6. EXHIBITS

See Index to Exhibits.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**CRUM & FORSTER HOLDINGS CORP.
(Registrant)**

Date: May 2, 2006

By: /s/ Nikolas Antonopoulos
Nikolas Antonopoulos
President and Chief Executive Officer

Date: May 2, 2006

By: /s/ Mary Jane Robertson
Mary Jane Robertson
Executive Vice President, Chief Financial Officer and Treasurer

INDEX TO EXHIBITS

Exhibit No.

- * 31.1 Certification of President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- * 31.2 Certification of Executive Vice President, Chief Financial Officer and Treasurer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- * 32.1 Certification of President and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- * 32.2 Certification of Executive Vice President, Chief Financial Officer and Treasurer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

- 99.1 Risk Factors (incorporated into Part II of this Form 10-Q by reference to the section entitled "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2005 filed with the Securities and Exchange Commission on March 22, 2006).

* Filed herewith

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Nikolas Antonopoulos, President and Chief Executive Officer of Crum & Forster Holdings Corp., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Crum & Forster Holdings Corp.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - (c) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2006

By: /s/ Nikolas Antonopoulos
Nikolas Antonopoulos
President and Chief Executive Officer

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mary Jane Robertson, Executive Vice President, Chief Financial Officer and Treasurer of Crum & Forster Holdings Corp., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Crum & Forster Holdings Corp.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - (c) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2006

By: /s/ Mary Jane Robertson

Mary Jane Robertson
Executive Vice President,
Chief Financial Officer and Treasurer

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Crum & Forster Holdings Corp. (the "Company") for the period ended March 31, 2006 (the "Report") as filed with the Securities and Exchange Commission on the date hereof, I, Nikolas Antonopoulos, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. This Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 2, 2006

By: /s/ Nikolas Antonopoulos
Nikolas Antonopoulos
President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission, or its staff, upon request.

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Crum & Forster Holdings Corp., (the "Company") for the period ended March 31, 2006 (the "Report") as filed with the Securities and Exchange Commission on the date hereof, I, Mary Jane Robertson, Executive Vice President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. This Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 2, 2006

By: /s/ Mary Jane Robertson
Mary Jane Robertson
Executive Vice President,
Chief Financial Officer and Treasurer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission, or its staff, upon request.