

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:
September 30, 2005

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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

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:

<u>Class</u>	<u>Number of Shares Outstanding at October 28, 2005</u>
Common Stock, \$.01 Par Value	100

CRUM & FORSTER HOLDINGS CORP.

Form 10-Q

Index

	<u>Page Number</u>
PART I <u>FINANCIAL INFORMATION</u>	
<u>ITEM 1. FINANCIAL STATEMENTS</u>	
Consolidated Balance Sheets as of September 30, 2005 and December 31, 2004	3
Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2005 and 2004	4
Consolidated Statements of Shareholder's Equity for the Nine Months Ended September 30, 2005 and 2004	5
Consolidated Statements of Comprehensive (Loss) Income for the Three and Nine Months Ended September 30, 2005 and 2004	6
Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2005 and 2004	7
Notes to Consolidated Financial Statements	8
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	16
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	25
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	26
PART II <u>OTHER INFORMATION</u>	
<u>ITEM 1. LEGAL PROCEEDINGS</u>	26
<u>ITEM 6. EXHIBITS</u>	26
<u>SIGNATURES</u>	27
<u>INDEX TO EXHIBITS</u>	28

**PART I
FINANCIAL INFORMATION**

Item 1. Financial Statements

CRUM & FORSTER HOLDINGS CORP.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share amounts)

	September 30, 2005	December 31, 2004
	<u>(Unaudited)</u>	<u></u>
ASSETS		
Investments:		
Fixed income securities, at fair value (amortized cost of \$2,060,100 and \$2,062,246 in 2005 and 2004, respectively)	\$ 1,968,323	\$ 2,039,846
Equity securities, at fair value (cost of \$406,520 and \$378,598 in 2005 and 2004, respectively)	458,617	455,153
Other invested assets	422,431	293,406
Total investments	2,849,371	2,788,405
Cash and cash equivalents	391,819	429,205
Assets pledged for short-sale obligations	492,359	277,899
Premiums receivable	233,890	263,420
Reinsurance recoverable	1,809,221	1,609,013
Reinsurance recoverable from affiliates	292,412	195,799
Prepaid reinsurance premiums	32,108	35,142
Deferred income taxes	198,015	173,957
Deferred policy acquisition costs	71,478	75,006
Other assets	116,334	183,795
Total assets	<u>\$ 6,487,007</u>	<u>\$ 6,031,641</u>
LIABILITIES		
Unpaid losses and loss adjustment expenses	\$ 3,705,994	\$ 3,370,936
Unearned premiums	506,275	528,592
Accounts payable and other liabilities	266,787	241,049
Funds held under reinsurance contracts	275,401	277,296
Deferred income on retroactive reinsurance	217,018	223,360
Short-sale obligations	325,632	217,378
Long-term debt	292,308	291,841
Total liabilities	<u>5,589,415</u>	<u>5,150,452</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	26,923	55,875
Retained earnings	129,676	84,321
Total shareholder's equity	<u>897,592</u>	<u>881,189</u>
Total liabilities and shareholder's equity	<u>\$ 6,487,007</u>	<u>\$ 6,031,641</u>

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

CRUM & FORSTER HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	(Unaudited)			
REVENUES				
Premiums earned	\$ 191,898	\$ 212,037	\$ 665,432	\$ 665,339
Investment income	28,177	21,108	96,555	64,389
Realized investment gains (losses)	22,641	(1,841)	94,885	45,493
Total revenues	<u>242,716</u>	<u>231,304</u>	<u>856,872</u>	<u>775,221</u>
EXPENSES				
Losses and loss adjustment expenses	169,632	233,132	485,802	554,533
Policy acquisition costs	33,344	31,204	98,100	93,082
Other underwriting expenses	31,781	32,164	97,408	96,655
Interest expense	8,233	8,216	24,682	24,942
Other expense, net	323	1,554	3,519	7,120
Total expenses	<u>243,313</u>	<u>306,270</u>	<u>709,511</u>	<u>776,332</u>
(Loss) income before income taxes and equity in earnings of investees	(597)	(74,966)	147,361	(1,111)
Income tax (benefit) expense	(1,024)	(26,645)	48,934	(991)
Income (loss) before equity in earnings of investees	427	(48,321)	98,427	(120)
Equity in earnings of investees, net of tax	5,674	3,544	14,428	9,588
NET INCOME (LOSS)	<u>\$ 6,101</u>	<u>\$ (44,777)</u>	<u>\$ 112,855</u>	<u>\$ 9,468</u>

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)

	Nine Months Ended September 30,	
	2005	2004
	(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 (LOSS), NET OF TAX		
Balance, beginning of period	55,875	43,496
Unrealized investment losses, net of transfers to realized investment gains (losses)	(30,632)	(53,692)
Foreign currency translation	1,680	408
Balance, end of period	26,923	(9,788)
RETAINED EARNINGS		
Balance, beginning of period	84,321	121,626
Net income	112,855	9,468
Dividends to shareholder	(67,500)	(61,500)
Balance, end of period	129,676	69,594
TOTAL SHAREHOLDER'S EQUITY	\$ 897,592	\$ 800,799

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

CRUM & FORSTER HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	(Unaudited)			
NET INCOME (LOSS)	\$ 6,101	\$ (44,777)	\$ 112,855	\$ 9,468
Change in components of other comprehensive (loss) income for the period, before tax:				
Unrealized investment (losses) gains	(120,670)	30,338	(47,124)	(82,603)
Foreign currency translation	6,796	5,207	2,584	628
Other comprehensive (loss) income for the period, before tax	(113,874)	35,545	(44,540)	(81,975)
Deferred income tax benefit (expense) for the period:				
Deferred income tax benefit (expense) from unrealized investment (losses) gains	42,234	(10,618)	16,492	28,911
Deferred income tax expense from foreign currency translation	(2,378)	(1,823)	(904)	(220)
Total deferred income tax benefit (expense) for the period	39,856	(12,441)	15,588	28,691
Other comprehensive (loss) income for the period, net of tax	(74,018)	23,104	(28,952)	(53,284)
COMPREHENSIVE (LOSS) INCOME	<u>\$ (67,917)</u>	<u>\$ (21,673)</u>	<u>\$ 83,903</u>	<u>\$ (43,816)</u>

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

CRUM & FORSTER HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Nine Months Ended September 30,	
	2005	2004
	(Unaudited)	
OPERATING ACTIVITIES		
Net income	\$ 112,855	\$ 9,468
Adjustments to reconcile net income to net cash from operating activities:		
Net accretion of discount on fixed income securities	(2,667)	(4,330)
Realized investment gains	(94,885)	(45,493)
Earnings of equity method investees	(30,907)	(15,388)
Depreciation and amortization	2,642	3,695
Deferred income tax benefit	(8,468)	(584)
Other non-cash net income adjustments	17,758	18,719
Changes in:		
Premiums receivable	23,905	16,844
Reinsurance recoverable	(317,191)	(41,128)
Prepaid reinsurance premiums	3,034	2,347
Deferred policy acquisition costs	3,528	(3,389)
Other assets	35,616	6,155
Unpaid losses and loss adjustment expenses	335,058	160,389
Unearned premiums	(22,317)	7,032
Accounts payable and other liabilities	32,111	3,231
Net cash from operating activities	<u>90,072</u>	<u>117,568</u>
INVESTING ACTIVITIES		
Purchases of fixed income securities	(1,533,287)	(3,028,598)
Proceeds from sales of fixed income securities	1,513,604	1,281,799
Proceeds from maturities of fixed income securities	1,255	171,650
Purchases of equity securities	(152,099)	(154,672)
Proceeds from sales of equity securities	190,999	31,114
Purchases of other invested assets	(78,923)	(110,583)
Proceeds from sales of other invested assets	7,206	11,560
Proceeds from short-sale obligations	100,013	199,746
Cash pledged for short-sale obligations	(108,373)	(201,879)
Purchases of fixed assets	(353)	(2,490)
Net cash from investing activities	<u>(59,958)</u>	<u>(1,802,353)</u>
FINANCING ACTIVITIES		
Dividends to shareholder	(67,500)	(61,500)
Deferred financing costs	—	(974)
Net cash from financing activities	<u>(67,500)</u>	<u>(62,474)</u>
Net change in cash and cash equivalents	(37,386)	(1,747,259)
Cash and cash equivalents, beginning of period	429,205	2,081,878
Cash and cash equivalents, end of period	<u>\$ 391,819</u>	<u>\$ 334,619</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 15,563	\$ 15,842
Cash paid for income taxes	<u>\$ 63,971</u>	<u>\$ 63,296</u>

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 wholly owned by FFHL Group Ltd., a Canadian holding company, which is 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, provides 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. Effective July 1, 2004, Crum & Forster Underwriters Co. of Ohio was merged into US Fire. 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, 2004 filed with the Securities and Exchange Commission on March 7, 2005, as amended by Form 10-K/A filed with the Securities and Exchange Commission on June 28, 2005.

The interim financial data as of September 30, 2005 and for the three and nine months ended September 30, 2005 and 2004 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 2005 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 September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Gross unpaid losses and LAE, beginning of period	\$ 3,409,578	\$ 3,208,942	\$ 3,370,936	\$ 3,193,920
Less ceded unpaid losses and LAE	1,400,903	1,300,841	1,360,996	1,321,004
Net unpaid losses and LAE, beginning of period	2,008,675	1,908,101	2,009,940	1,872,916
Losses and LAE incurred related to:				
Current period	178,254	251,569	506,758	568,053
Prior years	(8,622)	(18,437)	(20,956)	(13,520)
Total losses and LAE incurred	169,632	233,132	485,802	554,533
Losses and LAE paid related to:				
Current period	42,586	43,888	82,609	78,241
Prior years	87,196	99,731	364,608	351,594
Total losses and LAE paid	129,782	143,619	447,217	429,835
Net unpaid losses and LAE, end of period	2,048,525	1,997,614	2,048,525	1,997,614
Add ceded unpaid losses and LAE	1,657,469	1,356,695	1,657,469	1,356,695
Gross unpaid losses and LAE, end of period	<u>\$ 3,705,994</u>	<u>\$ 3,354,309</u>	<u>\$ 3,705,994</u>	<u>\$ 3,354,309</u>

During the third quarter of 2005, the Company incurred losses and LAE of approximately \$22,000 (excluding reinsurance reinstatement premiums of approximately \$38,000) associated with hurricanes Katrina and Rita. During the third quarter of 2004, the Company incurred losses and LAE of approximately \$89,700 (excluding reinsurance reinstatement premiums of approximately \$10,300) principally associated with four hurricanes in Florida.

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

	September 30, 2005
Ceded unpaid losses and LAE in the table above	\$ 1,657,469
Reconciling items:	
Reinsurance receivable on paid losses and LAE	58,137
Premiums paid for retroactive reinsurance	190,519
Deferred income on retroactive reinsurance	217,018
Loss sensitive cession ¹	(21,510)
Total reconciling items	444,164
Reinsurance recoverable on the consolidated balance sheet	<u>\$ 2,101,633</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

The Company has exposure to asbestos and environmental claims arising from the sale of general liability, commercial multi-peril and umbrella insurance policies, the majority of which were written for accident years 1985 and prior. Estimation of ultimate liabilities for these exposures is unusually difficult due to such issues as whether or not coverage exists, definition of an occurrence, determination of ultimate damages and allocation of such damages to financially responsible parties.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2005	2004	2005	2004
Asbestos				
Gross unpaid losses and allocated LAE ("ALAE"), beginning of period	\$ 480,529	\$ 451,473	\$ 522,685	\$ 495,195
Less ceded unpaid losses and ALAE	<u>104,798</u>	<u>114,702</u>	<u>113,891</u>	<u>128,787</u>
Net unpaid losses and ALAE, beginning of period	375,731	336,771	408,794	366,408
Net losses and ALAE incurred	—	—	—	517
Net paid losses and ALAE	<u>16,040</u>	<u>9,788</u>	<u>49,103</u>	<u>39,942</u>
Net unpaid losses and ALAE, end of period	359,691	326,983	359,691	326,983
Add ceded unpaid losses and ALAE	<u>102,645</u>	<u>114,260</u>	<u>102,645</u>	<u>114,260</u>
Gross unpaid losses and ALAE, end of period	<u>\$ 462,336</u>	<u>\$ 441,243</u>	<u>\$ 462,336</u>	<u>\$ 441,243</u>

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2005	2004	2005	2004
Environmental				
Gross unpaid losses and ALAE, beginning of period	\$ 113,453	\$ 121,070	\$ 123,353	\$ 130,511
Less ceded unpaid losses and ALAE	<u>38,349</u>	<u>39,421</u>	<u>38,190</u>	<u>31,675</u>
Net unpaid losses and ALAE, beginning of period	75,104	81,649	85,163	98,836
Net losses and ALAE incurred	—	—	—	7
Net paid losses and ALAE	<u>2,365</u>	<u>2,324</u>	<u>12,424</u>	<u>19,518</u>
Net unpaid losses and ALAE, end of period	72,739	79,325	72,739	79,325
Add ceded unpaid losses and ALAE	<u>38,693</u>	<u>39,628</u>	<u>38,693</u>	<u>39,628</u>
Gross unpaid losses and ALAE, end of period	<u>\$ 111,432</u>	<u>\$ 118,953</u>	<u>\$ 111,432</u>	<u>\$ 118,953</u>

The Company also maintains reserves for other latent exposures such as those associated with silica, chemicals, lead, sick building syndrome, gas and vapors, repetitive stress and mold of \$18,999 and \$22,024, net of reinsurance, as of September 30, 2005 and December 31, 2004, 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		Nine Months Ended	
	September 30,		September 30,	
	2005	2004	2005	2004
Premiums written:				
Direct	\$ 268,950	\$ 295,489	\$ 812,048	\$ 832,557
Assumed from other companies, pools or associations	4,258	3,929	13,733	10,832
Ceded to other companies, pools or associations	(84,083)	(68,185)	(179,632)	(168,671)
Net premiums written	<u>\$ 189,125</u>	<u>\$ 231,233</u>	<u>\$ 646,149</u>	<u>\$ 674,718</u>
Premiums earned:				
Direct	\$ 272,652	\$ 278,782	\$ 835,042	\$ 825,717
Assumed from other companies, pools or associations	4,709	3,190	13,056	10,640
Ceded to other companies, pools or associations	(85,463)	(69,935)	(182,666)	(171,018)
Premiums earned	<u>\$ 191,898</u>	<u>\$ 212,037</u>	<u>\$ 665,432</u>	<u>\$ 665,339</u>

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

	September 30,	December 31,
	2005	2004
Reinsurance recoverable on unpaid losses and LAE	\$ 2,043,496	\$ 1,753,366
Reinsurance receivable on paid losses and LAE	58,137	51,446
Total reinsurance recoverable	<u>\$ 2,101,633</u>	<u>\$ 1,804,812</u>

The increase in reinsurance recoverable as of September 30, 2005 as compared to December 31, 2004, is principally due to approximately \$268,000 of ceded losses in the third quarter of 2005 in respect of hurricanes Katrina and Rita.

Corporate Aggregate Reinsurance

The Company purchases reinsurance to limit its exposure to loss from any one claim or occurrence ("per risk reinsurance"). The Company also purchases reinsurance to limit its exposure 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 ("corporate aggregate reinsurance"). The Company's corporate aggregate reinsurance contracts cover or covered, in varying amounts and on varying terms, accident years 2002 and prior and provide either current accident year protection or adverse development protection related to prior accident years. In general, contracts covering past insurable events, such as adverse loss development coverage, are categorized as "retroactive reinsurance", as opposed to contracts covering future insurable events, which are referred to as "prospective reinsurance". Coverage under retroactive and prospective reinsurance contracts is generally triggered when the loss ratio for the subject period exceeds a specified level, or when reserves related to all periods prior to a certain date exceed a stated amount. The Company will recover ceded losses and LAE from its reinsurers as it settles the related claims, which may occur over many years. Retroactive and prospective corporate aggregate reinsurance contracts may provide for future payments to be made by the Company when it cedes losses under such policies and generally provide that interest is charged to the Company, for the benefit of the reinsurers, on any premiums withheld.

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 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 operations is summarized as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Premiums earned	\$ —	\$ (7,595)	\$ —	\$ (7,595)
Investment income	(4,830)	(12,194)	(13,753)	(18,410)
Losses and LAE	1,039	(12,626)	(6,342)	(17,162)
Increase (decrease) in income before income taxes	<u>\$ (5,869)</u>	<u>\$ (7,163)</u>	<u>\$ (7,411)</u>	<u>\$ (8,843)</u>

As of September 30, 2005, reinsurance recoverable includes \$428,421 and \$455,508 related to prospective and retroactive corporate aggregate reinsurance contracts, respectively. Of the \$883,929 in reinsurance recoverable related to corporate aggregate reinsurance, \$497,902 has been recognized to date as a reduction of incurred losses and LAE on the Company's consolidated statements of operations.

Prospective Corporate Aggregate Reinsurance

An analysis of activity in the Company's prospective corporate aggregate reinsurance contracts follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Ceded losses	\$ —	\$ 9,994	\$ —	\$ 9,994
Less ceded premiums	—	7,595	—	7,595
Less funds held interest	1,097	4,537	3,521	7,765
Increase (decrease) in income before income taxes	<u>\$ (1,097)</u>	<u>\$ (2,138)</u>	<u>\$ (3,521)</u>	<u>\$ (5,366)</u>

The Company entered into an aggregate stop loss agreement with unaffiliated reinsurers covering accident year 2000, which provided coverage of \$118,493 and has been fully utilized by the Company. There were no premiums or losses ceded pursuant to the contract during the three and nine months ended September 30, 2005. Premiums and losses ceded in the three and nine months ended September 30, 2004 were \$7,595 and \$9,994, respectively. As of September 30, 2005 and December 31, 2004, the Company had reinsurance recoverable balances of \$60,921 and \$76,547, respectively, related to this agreement.

Retroactive Corporate Aggregate Reinsurance

An analysis of activity in the Company's retroactive corporate aggregate reinsurance contracts follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Increase in reinsurance recoverable due from insurers	\$ —	\$ 39,000	\$ —	\$ 39,000
Less related premiums paid	—	22,685	—	24,362
Income deferred during the period	—	16,315	—	14,638
Amortization of deferred income	1,039	(12,626)	(6,342)	(17,162)
Increase (decrease) in deferred income	1,039	3,689	(6,342)	(2,524)
Deferred income on retroactive reinsurance, beginning of period	215,979	174,311	223,360	180,524
Deferred income on retroactive reinsurance, end of period	<u>\$ 217,018</u>	<u>\$ 178,000</u>	<u>\$ 217,018</u>	<u>\$ 178,000</u>
Funds held interest charged during the period	<u>\$ 3,733</u>	<u>\$ 7,657</u>	<u>\$ 10,232</u>	<u>\$ 10,645</u>

During the third quarter of 2005, the Company reestimated the timing of recoveries on its retroactive reinsurance contracts, which reduced amortization of deferred income by approximately \$4,730.

For additional information on the Company's retroactive corporate aggregate reinsurance contracts, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2004 filed with the Securities and Exchange Commission on March 7, 2005, as amended by Form 10-K/A filed with the Securities and Exchange Commission on June 28, 2005.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited, dollars in thousands)

5. Investments and Short-Sale Obligations

During the three months ended September 30, 2005, Crum & Forster purchased \$7,523 of credit default swaps on securities issued by various U.S. companies in the banking, mortgage and insurance industries, bringing the total amount of credit default swaps purchased in the nine months ended September 30, 2005 to approximately \$59,500. These credit default swaps serve as hedges against declines in the fair value of financial assets owned by the Company arising from potential financial difficulties associated with any or all of these issuers or the industries in which they operate. As of September 30, 2005 and December 31, 2004, the fair value of the Company's credit default swaps was \$48,500 and \$4,224, respectively. For the three and nine months ended September 30, 2005, the Company recorded net realized investment losses of \$18,754 and \$15,304, respectively, as a result of changes in the fair value of the credit default swaps. For the three and nine months ended September 30, 2004, the Company recorded net realized investment losses of \$2,189 and \$2,222, respectively, as a result of changes in the fair value of the credit default swaps.

On September 28, 2005, the Company completed the sale of 271,000 shares of common stock of a publicly traded pharmaceutical company to Fairfax affiliates at the prevailing market price of \$27.50 per share. The Company received net proceeds of \$7,439 from the transaction, resulting in a pre-tax realized loss of \$2,561.

On August 2, 2005, the Company completed the sale of one million shares of Zenith National Insurance Corp. (NYSE: ZNT) ("Zenith") common stock at a price of \$66 per share. The Company received net proceeds of \$65,997 from the transaction, resulting in a pre-tax realized gain of \$37,997. Following completion of this sale, the Company continues to hold approximately 2,240,000 shares of Zenith common stock, which, on a fully diluted basis, represents a 9.7% interest in Zenith.

On June 3, 2005, Advent Capital (Holdings) PLC ("Advent"), an affiliate of the Company, completed a public offering of its common stock. The Company purchased its pro-rata share equal to \$8,321 in the offering and, accordingly, suffered no dilution of its 11.4% ownership interest. Concurrent with the offering, Advent's common stock was listed for trading on the Alternative Investment Market of the London Stock Exchange. The Company's investment in Advent is carried at fair value and included in equity securities on the consolidated balance sheets. As of September 30, 2005, the Company's investment in Advent has a fair value of \$12,866 and an unrealized loss of \$6,428 as compared to a fair value of \$14,036 and an unrealized gain of \$3,063 as of December 31, 2004.

In January 2005, the Company invested an additional \$10,000 in Pacific Century Fund I ("Pacific"), a fund wholly owned by Fairfax affiliates, bringing the total investment in Pacific to \$20,000. The Company owned approximately 40% of Pacific as of September 30, 2005 and its carrying value was \$21,491. The investment in Pacific is included in other invested assets on the consolidated balance sheets.

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 in 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 and nine months ended September 30, 2005, the change in the fair value of the SPDRs obligation amounted to a loss of \$9,964 and \$8,241, respectively, as compared to a loss of \$1,235 for the three and nine months ended September 30, 2004. For the three and nine months ended September 30, 2005, the change in the fair value of the Options amounted to a gain of \$795 and a loss of \$4,334, respectively, as compared to a loss of \$1,498 for the three and nine months ended September 30, 2004. The net change in the fair value of the SPDRs obligation and the Options is included in realized investment gains on the consolidated statements of operations. The fair values of the SPDRs obligation and the Options at September 30, 2005 amounted to a liability of \$325,632 and an asset of \$6,278, 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 \$1,382 and \$3,912, respectively, for the three and nine months ended September 30, 2005 as compared to \$844 for the three and nine months ended September 30, 2004, and are included as an investment expense on the consolidated statements of operations. In connection with these SPDRs transactions, the Company has pledged cash and U.S. Treasury securities as collateral for the obligation to purchase the SPDRs. As of September 30, 2005, the fair value of the assets pledged for the future purchase of the SPDRs totaled \$492,359. These assets are recorded in assets pledged for short-sale obligations on the consolidated balance sheets.

In December 2004, the Company entered into a four-month swap transaction whereby the Company received the total equity return on a publicly traded security in exchange for payment of a stated return tied to LIBOR. In March 2005, the Company terminated this swap transaction and recorded a net loss of \$2,614, which is included in realized investment gains on the consolidated statement of income, for the nine months ended September 30, 2005.

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 Securities and Exchange Commission on March 7, 2005, as amended by Form 10-K/A filed with the Securities and Exchange Commission on June 28, 2005. 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 as of 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, 2004 filed with the Securities and Exchange Commission on March 7, 2005, as amended by Form 10-K/A filed with the Securities and Exchange Commission on June 28, 2005.

Unpaid Losses and Loss Adjustment Expenses

The most significant accounting estimates relate to the Company's reserves for unpaid losses and LAE. Unpaid losses and LAE include reserves for unpaid reported losses and LAE and for losses incurred but not reported ("IBNR"). The reserves for unpaid reported losses generally represent the estimated ultimate cost of events or conditions that have been reported to the Company. IBNR reserves include estimates of losses incurred but not reported to the Company, including estimates of expenses to settle claims, such as legal and other fees and the general expenses of administering the claims adjustment process.

Losses and LAE are charged to income as they are incurred. This includes loss and LAE payments and any changes in reported case and IBNR reserves. 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 ultimate actual payments for claims and LAE could be significantly different from estimates.

The Company has written general liability, commercial multi-peril and umbrella policies under which its policyholders continue to present asbestos, environmental and other latent claims. The majority of these claims, particularly with respect to asbestos and environmental claims, are presented under policies written prior to 1985. There are significant uncertainties in estimating the amount of reserves required for asbestos, environmental and other latent exposure claims. Reserves for these exposures cannot be estimated solely with the traditional loss reserving techniques, which rely on historical accident year development factors. Among the uncertainties relating to asbestos, environmental and other latent reserves are a lack of historical data, long reporting delays and complex unresolved legal issues regarding policy coverage and the extent and timing of any such contractual liability. Courts have reached different, and frequently inconsistent, conclusions as to when losses occurred, what claims are covered, under what circumstances the insurer has an obligation to defend, how policy limits are determined and how policy exclusions are applied and interpreted.

In 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 \$100,542.

Other Than Temporary Declines In Value of Investments

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 is outweighed by evidence to the contrary. Recognition of impairment losses for declines in the value of fixed income and equity securities is based upon all relevant facts and circumstances for each investment. Factors considered by management include, but are not limited to, current and expected future market and economic conditions, the impact of issuer-specific events, the nature of the investment, the severity and duration of the impairment and the volatility of the security's market price. For fixed income securities, management also considers the Company's ability and intent to hold the investment for a period of time sufficient to allow a market recovery, or to maturity, in the process of evaluating whether a security with an unrealized loss has suffered an other than temporary decline.

As of September 30, 2005, the Company had gross unrealized losses on available-for-sale fixed income and equity securities of \$139,656. For the three months ended September 30, 2005, the Company did not record any other than temporary impairments. For the nine months ended September 30, 2005, the Company recorded \$3,889 in other than temporary impairments. No other than temporary impairments were recorded for the nine months ended September 30, 2004. 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 ceding company of its 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.

An estimated allowance for uncollectible reinsurance recoverable is recorded on the basis of periodic evaluations 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 with Crum & Forster companies specifically.

As of September 30, 2005 and December 31, 2004, reinsurance recoverable was \$2,101,633 and \$1,804,812, net of reserves for uncollectible reinsurance of \$38,623 and \$40,930, respectively. The provision for uncollectible reinsurance for the three and nine months ended September 30, 2005 was \$2,714 and \$4,714 respectively. While management believes the allowance for uncollectible reinsurance 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 entities and current forecasts for the periods through which losses may be carried forward.

As of September 30, 2005, there were no valuation allowances against the Company's gross deferred tax assets of \$245,664. Should the assumptions of future profitability change or the taxable income of these entities fall 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.

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 overlooked market opportunities. Operating through its home office and regional branch network, the Company writes a broad range of commercial coverages, 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 1,000 producers located throughout the United States. The Company's two largest producers accounted for approximately 9% and 6% of gross premiums written for the nine months ended September 30, 2005.

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, at the time the risk is priced, by industry capacity and other competitive conditions that exert downward pressure on rates and, after the risk is priced, 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.

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 fixed income and equity securities selling at prices below intrinsic value helps to protect the Company's capital.

Management measures the results of operations by monitoring certain 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 insureds, increases or decreases in the pricing of renewed policies and the growth in new business premiums.

Management focuses on underwriting results, which are derived from certain amounts on the consolidated statements of operations and are considered a non-GAAP financial measure, to monitor performance of the Company's underwriting operations. Underwriting results are 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 expenses and other underwriting expenses, and excludes investment results, interest expense and other income or expense. The latter are excluded in order to analyze the direct relationship between the premiums earned and the related claim costs, including the costs incurred to settle such claims, policy acquisition expenses and other underwriting expenses. Net realized investment gains and losses relating to the Company's investment portfolio are excluded by management when analyzing insurance operations, as they are largely discretionary and are generally driven by economic factors that are not necessarily consistent with key drivers of underwriting performance.

The combined ratio expresses underwriting results as a percentage of premiums earned and generally comprises two components: the loss and LAE ratio, which is the percentage of losses and LAE to premiums earned, and the underwriting 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.

The property and casualty insurance business is cyclical and is influenced by many factors, including price competition, economic conditions, natural and man-made disasters (for example, hurricanes, earthquakes and terrorism), interest rates, state regulations, court decisions and changes in the law. Market competition intensified throughout 2004, particularly in the third and fourth quarters, and this trend has continued through the first nine months of 2005. Renewal pricing in the Company's casualty lines declined in the third and fourth quarters of 2004 and continued to decline through the first nine months of 2005. Specifically, renewal pricing in the Company's casualty lines decreased by approximately 4% in the nine months ended September 30, 2005 as compared to renewal price increases of approximately 4% in the nine months ended September 30, 2004. Renewal pricing in the Company's property lines declined by approximately 9% in the nine months ended September 30, 2005 compared with price decreases of approximately 6% through September 30, 2004. The Company's overall renewal retention rate has declined to approximately 62% in the first nine months of 2005, from approximately 66% in the first nine months of 2004. The casualty renewal retention rate declined by approximately four percentage points in the first nine months of 2005, with a noticeable downturn in the third quarter, primarily due to softening market conditions in the casualty market. The property renewal retention rate also declined by approximately four percentage points in the first nine months of 2005, with the third quarter experiencing similar declines to those seen in the first half of 2005. New business for the nine months ended September 30, 2005 declined by approximately 11%, principally in the casualty lines of business while property lines remained stable.

In the third quarter of 2005, hurricanes Katrina and Rita caused severe damage in the gulf coast states of Louisiana, Texas, Mississippi, Florida and Alabama. The city of New Orleans was ravaged by flooding. Estimates of total insured damage from hurricane Katrina reached \$60 billion, making hurricane Katrina the most costly catastrophe in U.S. history. Following the storms, rates for hurricane-prone locations are increasing, often substantially. The hurricanes appear to have had no immediate effect on other property and casualty lines of business written by the Company. The Company expects that reinsurance rates for property business will increase materially. Crum & Forster's property per risk and property catastrophe treaties renew on March 1 and May 1, respectively.

Should the market continue to soften and competitors remain focused on holding their renewals and achieving premium growth, renewal retention and new business growth will continue to be very challenging. Accordingly, the Company believes opportunities for profitable growth will be limited and gross premiums written may decline further relative to the prior year in the remaining quarter of 2005.

Results of Operations

The components of the Company's net income (loss), and certain ratios based thereon, are summarized as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Gross premiums written	\$ 273,208	\$ 299,418	\$ 825,781	\$ 843,389
Net premiums written	\$ 189,125	\$ 231,233	\$ 646,149	\$ 674,718
Premiums earned	\$ 191,898	\$ 212,037	\$ 665,432	\$ 665,339
Losses and LAE	169,632	233,132	485,802	554,533
Underwriting expenses	65,125	63,368	195,508	189,737
Underwriting results	(42,859)	(84,463)	(15,878)	(78,931)
Investment income and realized investment gains	50,818	19,267	191,440	109,882
Interest and other expense	8,556	9,770	28,201	32,062
(Loss) income before income taxes and equity in earnings of investees	(597)	(74,966)	147,361	(1,111)
Income tax (benefit) expense	(1,024)	(26,645)	48,934	(991)
Income (loss) before equity in earnings of investees	427	(48,321)	98,427	(120)
Equity in earnings of investees	5,674	3,544	14,428	9,588
Net income (loss)	\$ 6,101	\$ (44,777)	\$ 112,855	\$ 9,468
Loss and LAE ratio	88.4%	109.9%	73.0%	83.3%
Underwriting expense ratio	33.9%	29.9%	29.4%	28.5%
Combined ratio	122.3%	139.8%	102.4%	111.8%

Net income for the three and nine months ended September 30, 2005 was \$6,101 and \$112,855, respectively, as compared to a net loss of \$44,777 for the three months ended September 30, 2004 and net income of \$9,468 for the nine months ended September 30, 2004. The increase in net income in both the three and nine month periods was principally the result of lower catastrophe losses, higher realized investment gains and increased investment income. During the third quarter of 2005, underwriting results were adversely affected by net catastrophe losses from hurricanes Katrina and Rita of approximately \$60,000, including \$38,000 of reinsurance reinstatement premiums. During the third quarter of 2004, underwriting results were adversely affected by net catastrophe losses of approximately \$100,000, principally associated with four hurricanes in Florida. The combined ratio improved to 102.4% in the nine months ended September 30, 2005 from 111.8% in the same prior year period reflecting the aforementioned favorable impact of lower catastrophe losses in 2005 and favorable prior year loss development.

Underwriting Results

Gross Premiums Written

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

	Three Months Ended September 30,			
	2005	2004	Increase/ (Decrease)	Percent Change
Workers' compensation	\$ 75,811	\$ 89,974	\$ (14,163)	(15.7)%
General liability	60,499	61,935	(1,436)	(2.3)%
Commercial automobile	48,632	44,709	3,923	8.8 %
Property	73,027	80,813	(7,786)	(9.6)%
Commercial multi-peril	13,193	13,861	(668)	(4.8)%
Surety	2,046	8,126	(6,080)	(74.8)%
Total gross premiums written	\$ 273,208	\$ 299,418	\$ (26,210)	(8.8)%
	Nine Months Ended September 30,			
	2005	2004	Increase/ (Decrease)	Percent Change
Workers' compensation	\$ 208,394	\$ 226,578	\$ (18,184)	(8.0)%
General liability	198,102	191,708	6,394	3.3 %
Commercial automobile	146,926	144,475	2,451	1.7 %
Property	217,490	217,970	(480)	(0.2)%
Commercial multi-peril	37,519	38,752	(1,233)	(3.2)%
Surety	17,350	23,906	(6,556)	(27.4)%
Total gross premiums written	\$ 825,781	\$ 843,389	\$ (17,608)	(2.1)%

For the three and nine months ended September 30, 2005, gross premiums written decreased by approximately 9% and 2% over the three and nine months ended September 30, 2004. This decline was primarily due to a reduction in renewal retention rates, modest price decreases on renewal policies and a reduction in new business. Renewal retention rates decreased for the three and nine months ended September 30, 2005, by approximately twelve and four percentage points, respectively. Price decreases on renewal policies in both the three and nine months ended September 30, 2005, were approximately 5%. New business declined by approximately 16% in the three months ended September 30, 2005 and approximately 11% in the nine months ended September 30, 2005, as compared to the same prior year periods. The reduction in new business is largely attributable to a significant decrease in the casualty lines of business, while new premiums written in property have remained relatively stable. As the market continues to soften and competitors are focused on production growth, new business growth and the retention of existing accounts has become very challenging.

Casualty Gross Premiums Written

For the three and nine months ended September 30, 2005, gross premiums written in casualty lines, which include the workers' compensation, general liability and commercial automobile lines of business, decreased by \$11,676, or 5.9%, and \$9,339, or 1.7%, respectively, as compared to the three and nine months ended September 30, 2004, primarily due to a reduction in renewal retention rates, price decreases on renewal policies and a reduction in new business. The third quarter of 2005 saw a noticeable acceleration of softening market conditions in the casualty lines of business, which adversely affected both renewal retention rates and new business production in the period.

Property Gross Premiums Written

For the three and nine months ended September 30, 2005, gross premiums written in property lines, which include the property, commercial multi-peril and surety lines of business, decreased by \$14,534, or 14.1%, and \$8,269, or 2.9%, respectively, as compared to the three and nine months ended September 30, 2004, due to a reduction in renewal retention rates and price decreases on renewal policies, whereas new business has remained relatively stable. During the third quarter of 2005, property premiums were adversely affected by a reduction in the surety line of business as a result of a decision by management to restrict writings of contract surety business in response to a greater than expected emergence of surety claims in 2005.

Net Premiums Written

For the three and nine months ended September 30, 2005, net premiums written decreased by \$42,108, or 18.2%, and \$28,569, or 4.2%, respectively, as compared to the three and nine months ended September 30, 2004, which was generally in line with the decline in gross premiums written after giving effect to reinsurance reinstatement premiums associated with catastrophe losses in the third quarters of 2005 and 2004 and aggregate stop loss reinsurance premiums arising from the reallocation of prior years' loss reserves in 2004. Effective January 1, 2005, the Company did not renew its terrorism reinsurance agreement with an affiliated company, which also affected net 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 September 30, 2005, premiums earned decreased by \$20,139, or 9.5%, over the three months ended September 30, 2004. For the nine months ended September 30, 2005, premiums earned remained stable compared with the same prior year period. The lower decrease in premiums earned relative to net premiums written was principally attributable to the lag in recognition of the decrease in premiums written in the third quarter of 2005.

Losses and Loss Adjustment Expenses

For the three and nine months ended September 30, 2005, the Company's calendar year loss and LAE ratio improved to 88.4% and 73.0%, respectively, from 109.9% and 83.3% for the three and nine months ended September 30, 2004. The loss and LAE improvement is primarily due to the favorable impact of lower catastrophe losses in 2005 as compared to 2004 and lower prior year loss development. Included in prior year loss development were \$6,342 and \$17,162 in the nine months ended September 30, 2005 and 2004, respectively, from the amortization of deferred income on retroactive reinsurance contracts. The lower amount of amortization in 2005 is due to re-estimation of the timing of recoveries on retroactive reinsurance contracts.

The accident year loss and LAE ratio decreased to 76.2% (68.9% excluding \$60,000 of losses from hurricanes Katrina and Rita) in the nine months ended September 30, 2005 from 84.4% (70.0% excluding \$100,000 of losses from the third quarter hurricanes in Florida) for the nine months ended September 30, 2004.

Underwriting Expenses

Underwriting expenses are comprised of policy acquisition costs and other underwriting expenses. Policy acquisition costs are comprised principally 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.

The Company's policy acquisition expense ratio increased to 17.3% and 14.8% for the three and nine months ended September 30, 2005, respectively, from 14.7% and 14.0% for the three and nine months ended September 30, 2004, respectively, primarily due to reinsurance reinstatement premiums of \$38,000 associated with catastrophe losses in the third quarter of 2005 as compared to \$10,300 in the third quarter of 2004.

The Company's other underwriting expense ratio increased to 16.6% and 14.6% for the three and nine months ended September 30, 2005, respectively, from 15.2% and 14.5% for the three months and nine months ended September 30, 2004, respectively, again due to the impact of the aforementioned reinsurance reinstatement premiums.

Investment Results

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Average investments, including cash and cash equivalents, at book value	\$ 3,193,321	\$ 3,092,476	\$ 3,174,257	\$ 3,093,930
Investment income	\$ 28,177	\$ 21,108	\$ 96,555	\$ 64,389
Realized investment gains	22,641	(1,841)	94,885	45,493
Pre-tax equity in earnings of investees	8,729	5,452	22,197	14,750
Change in unrealized investment gains (losses) and foreign currency translation	(113,874)	35,545	(44,540)	(81,975)
Total return on investments	\$ (54,327)	\$ 60,264	\$ 169,097	\$ 42,657
Total return for the period	(1.7)%	1.9%	5.3%	1.4%

The Company manages its investment portfolio with an emphasis on total return. Total return for the period is the sum of investment income (including equity in earnings of investees), realized investment gains and losses and changes in the market value of the portfolio expressed as a percentage of the average book value of the portfolio during the period. The following paragraphs discuss each component of the portfolio total returns.

For the three months ended September 30, 2005, the increase in investment income of \$7,069, or 33.5%, as compared to the same prior year period, was primarily due to lower interest charges related to funds held under reinsurance contracts in 2005 as compared to 2004. Third quarter 2004 included additional interest arising from increased premium cessions under retroactive reinsurance contracts. For the nine months ended September 30, 2005, the increase in investment income of \$32,166, or 50%, was due to the combined effects of the receipt of a special dividend on one of the Company's common stock investments, reinvestment of cash balances into longer-duration fixed income securities in mid-first quarter of 2004 and higher earnings from HWIC Fund, an affiliated equity method investee. In both the three and nine month periods ended September 30, 2005, the increase in investment income was partially offset by interest expense on the Company's SPDRs obligation. For the three and nine months ended September 30, 2005, annualized gross investment yields were 5.7% and 6.0%, respectively, as compared to annualized gross investment yields of 5.4% and 4.5%, respectively, for the same prior year periods.

Realized investment gains were \$22,641 and \$94,885 in the three and nine months ended September 30, 2005, respectively, as compared to realized investment losses of \$1,841 in the three months ended September 30, 2004 and realized investment gains of \$45,493 in the nine months ended September 30, 2004. The increase in realized investment gains of \$24,482 in the three months ended September 30, 2005 is primarily due to the sale of one million shares of Zenith common stock which resulted in a pre-tax realized investment gain of approximately \$38,000, partially offset by an increase in net realized investment losses arising from changes in the fair value of the Company's derivatives. For the nine months ended September 30, 2005, the increase in realized investment gains of \$49,392 is principally the result of the combined effects of the aforementioned gain arising on the sale of Zenith stock as well as gains realized from the sale of U.S. Treasury securities, partially offset by an increase in net realized investment losses arising from changes in the fair value of the Company's derivatives. In the nine months ended September 30, 2005, realized investment gains included a \$3,889 charge for an other than temporary impairment recognized in the first quarter.

Pre-tax equity in earnings of investees was \$8,729 and \$22,197, and \$5,452 and \$14,750, for the three and nine months ended September 30, 2005 and 2004, respectively. The increase in pre-tax equity in earnings of investees was primarily attributable to higher earnings from Northbridge Financial Corporation ("Northbridge"). Northbridge contributed \$8,385 and \$20,782, and \$4,860 and \$13,605 to the Company's pre-tax equity in earnings of investees in the three and nine months ended September 30, 2005 and 2004, respectively.

For the three and nine months ended September 30, 2005, the change in unrealized investment gains and losses and foreign currency translation was comprised of losses of \$113,874 and \$44,540, respectively, as compared to gains of \$35,545 and losses of \$81,975 in the three and nine months ended September 30, 2004, respectively. The third quarter of 2005 experienced a noticeable downturn in market conditions in the U.S. bond and equity markets which resulted in the significant increase in unrealized losses during the quarter.

Interest and Other Expense

For the three and nine months ended September 30, 2005, interest and other expense were \$8,556 and \$28,201, respectively, as compared to \$9,770 and \$32,062 for the three and nine months ended September 30, 2004, respectively. The lower expense for the three months ended September 30, 2005 was primarily the result of fluctuations in corporate expenses incurred during the quarter. For the nine months ended September 30, 2005 the decrease in interest and other expense was primarily due to a corporate expense of approximately \$3,500 related to a retirement and consulting agreement with the former chairman of the Company's insurance subsidiaries entered into in the second quarter of 2004.

Liquidity and Capital Resources

Holding Company

As a holding company with no direct operations, Crum & Forster Holdings Corp.'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, to pay corporate expenses and, ultimately, to repay the \$300,000 aggregate principal amount of its 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. As of September 30, 2005, US Fire reported statutory earned surplus of \$209,153 and North River reported statutory earned surplus of \$6,248. On March 29, 2005, US Fire paid to the Company a cash shareholder dividend of \$88,500. On April 14, 2005, North River paid to the Company a cash shareholder dividend of \$4,900. On April 20, 2005, June 13, 2005 and September 29, 2005, the Company paid cash shareholder dividends of \$22,500, \$5,000 and \$40,000, respectively, to Fairfax. Neither US Fire nor North River may pay additional dividends in 2005 without prior regulatory approval.

Pursuant to a non-interest bearing standby credit agreement between Fairfax and the Company, under certain circumstances the Company has the ability to borrow up to \$40,000 from Fairfax to meet certain corporate obligations. Borrowings under this agreement, if any, bear no interest and are due in June 2018. Through September 30, 2005, there have been no borrowings under this agreement.

Under the terms of the Company's senior notes, the Company has significant restrictions on the amount of new debt that it may incur. In addition, the agreements governing the bank credit facilities of Fairfax contain restrictive covenants prohibiting Fairfax, with certain exceptions, from allowing Crum & Forster to borrow money, encumber its property or assets, acquire or attempt to acquire direct or indirect control of another person or asset where the acquisition is being contested or resisted, effect a reorganization, consolidation, merger, amalgamation or other business combination with any person other than a wholly-owned subsidiary of either Crum & Forster or Fairfax, dispose of property or assets other than in a bona fide disposition for fair value to an arm's length third party or to Fairfax or one of its wholly-owned subsidiaries or enter into any agreements that limit the amount of dividends or management fees payable by the Company to Fairfax. Although Crum & Forster is not a party to the Fairfax credit facilities, it is expected, and should be assumed, that Fairfax will not permit Crum & Forster to borrow additional funds unless it is permitted to do so pursuant to the Fairfax credit facility. This affects the Company's ability to incur debt pursuant to bank loans or to raise funds in the capital markets.

Cash used in financing activities, which relates principally to holding company activities, was \$67,500 and \$62,474 in the nine months ended September 30, 2005 and 2004, respectively. The cash used in financing activities in both periods was principally the result of dividends paid to Fairfax.

Shareholder's equity was \$897,592 at September 30, 2005, as compared to \$881,189 at December 31, 2004. The increase was primarily the result of current year earnings partially offset by dividends paid to Fairfax and net unrealized investment losses.

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. Management believes that, for the foreseeable future, cash flows from operations at the Company's insurance subsidiaries will be sufficient to meet their operating liquidity needs.

Cash provided by operating activities for the nine months ended September 30, 2005 was \$90,072, as compared to \$117,568 for the nine months ended September 30, 2004. The principal reasons for the lower cash flows from operations in 2005 were lower reinsurance recoveries and higher net losses paid (attributable to higher catastrophe losses in 2004) partially offset by an increase in cash received from investment earnings. Increased cash from investment earnings was primarily the result of the reinvestment of cash and short-term investments into longer-term, higher yielding investments in the first quarter of 2004. Reinsurance recoveries for the nine months ended September 30, 2004 included \$39,514 in proceeds from a 2003 commutation.

Cash used in investing activities for the nine months ended September 30, 2005 was \$59,958 as compared to \$1,802,353 for the nine months ended September 30, 2004. In 2003, sales of fixed income securities generated proceeds, net of purchases, of over \$1 billion, which were invested in longer-term, higher yielding investments in the first quarter of 2004. US Fire, North River, CF Indemnity and CF Insurance have entered into master securities repurchase agreements that allow these companies to raise funds through repurchase arrangements with Fairfax. Under these agreements, US Fire and North River may raise a maximum of \$100,000 at any one time and CF Indemnity and CF Insurance are limited to \$5,000 each. These arrangements have not been utilized since 2000.

The aggregate carrying value of the Company's investment portfolio was \$3,241,190 at September 30, 2005, and was comprised of available-for-sale securities, other invested assets and cash and cash equivalents. Investments in available-for-sale fixed income and equity securities are summarized below:

	At September 30, 2005			Fair Value
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Fixed income securities:				
United States government and government agencies and authorities	\$ 1,757,532	\$ 455	\$ 66,106	\$ 1,691,881
States, municipalities and political subdivisions	6,879	47	—	6,926
Public utilities	5,078	246	—	5,324
Other corporate bonds	290,611	5,527	31,946	264,192
Total fixed income securities	<u>2,060,100</u>	<u>6,275</u>	<u>98,052</u>	<u>1,968,323</u>
Equity securities:				
Common stocks of banks, trusts and insurance companies	139,949	78,650	2,206	216,393
Common stocks of industrial and other companies	266,571	15,051	39,398	242,224
Total equity securities	<u>406,520</u>	<u>93,701</u>	<u>41,604</u>	<u>458,617</u>
Total available-for-sale securities	<u>\$ 2,466,620</u>	<u>\$ 99,976</u>	<u>\$ 139,656</u>	<u>\$ 2,426,940</u>

Certain individual available-for-sale securities had gross unrealized losses as of September 30, 2005 totaling \$139,656, which represented 6.1% of the cost or amortized cost of such securities in the aggregate.

The losses attributed to corporate bonds are in respect of two issuers. The first issuer is in the telecommunications industry and its securities had gross unrealized losses totaling \$23,182, which exceeded 10% of their cost as of September 30, 2005. Of these unrealized losses, \$8,048 is in respect of two securities that have been in a loss position for greater than twelve consecutive months and \$15,134 is in respect of three securities that have been in a loss position for less than 12 consecutive months. The issuer maintains a significant cash position to meet its obligations 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.

The second issuer is a special purpose trust, which contains U.S. Treasury strips and fixed income securities of the telecommunications issuer discussed above. This trust's securities had unrealized losses totaling \$8,764, which did not exceed 10% of their cost as of September 30, 2005. The underlying securities within the trust have been in an unrealized loss position for greater than twelve consecutive months as of September 30, 2005. Receipt of the par value of this trust's securities at maturity is based upon the par value of the Treasury strips and the securities are considered fully recoverable. In addition, the Company has the ability and intent to hold these securities for a period of time sufficient to allow a market recovery, or to maturity, if necessary.

At September 30, 2005, approximately \$37,587, or approximately 90%, of the equity portfolio gross unrealized losses was attributed to two securities whose unrealized loss exceeded 10% of their cost at September 30, 2005. The majority of these losses were attributed to one equity security in the pharmaceutical industry, which has been in an unrealized loss position for greater than twelve consecutive months as of September 30, 2005. The Company's evaluation of this issuer indicates that it has significant financial strength. Management believes that it is undervalued based upon a number of factors, including historical earnings multiples and dividend yields and trades below its intrinsic value.

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. As of September 30, 2005 and December 31, 2004, 93.8% and 95.6%, respectively, of the Company's fixed income portfolio consisted of securities rated investment grade.

The Company's investment portfolio includes investments accounted for using the equity method. These investments had a total carrying value of \$366,924 and \$280,346 at September 30, 2005 and December 31, 2004, respectively, and are included in other invested assets on the consolidated balance sheets. For the three and nine months ended September 30, 2005 and 2004, earnings of equity method investees were \$10,583 and \$34,435, and \$8,684 and \$18,429, respectively. Earnings of investment companies and similar equity method investees of \$1,855 and \$12,239, and \$3,232 and \$3,679, in the three and nine months ended September 30, 2005 and 2004, respectively, are included in investment income on the consolidated statements of operations. Pre-tax earnings of other equity method investees of \$8,728 and \$22,196, and \$5,452 and \$14,750, in the three and nine months ended September 30, 2005 and 2004, respectively, are included in equity in earnings of investees, net of tax, on the consolidated statements of operations.

Dividends received from all equity method investees were \$1,210 and \$3,530, and \$1,033 and \$3,041, in the three and nine months ended September 30, 2005 and 2004, 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, market position, investment operations, credit analysis, 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) with a stable outlook from Standard & Poor's Insurance Rating Services, also a rating agency for the insurance industry. In May 2005, A.M. Best revised the Company's outlook to stable from negative.

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 are based on a variety of factors, many of which are outside of its control, including the financial condition of Fairfax and its affiliates, the financial condition or actions of parties from which the Company has obtained reinsurance and 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 include 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. Market sensitive instruments discussed here relate to the Company's investment assets, which are classified as available-for-sale, unless otherwise noted.

Computations of the prospective effects of hypothetical interest rate, equity price and foreign exchange rate changes shown below are based on numerous assumptions, including maintenance of the existing level and composition of fixed income, equity and foreign currency denominated securities and should not be relied on as indicative of future results. 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

As of September 30, 2005, Crum & Forster's investment portfolio included \$1,968,323 of fixed income securities 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 September 30, 2005		
	Fair Value of Fixed Income Portfolio	Hypothetical \$ Change	Hypothetical % Change
200 basis point decline	\$ 2,572,189	\$ 603,866	30.7 %
100 basis point decline	\$ 2,241,611	\$ 273,288	13.9 %
Base scenario	\$ 1,968,323	—	— %
100 basis point increase	\$ 1,741,676	\$ (226,647)	(11.5)%
200 basis point increase	\$ 1,552,715	\$ (415,608)	(21.1)%

Equity Price Risk

As of September 30, 2005, the Company's investment portfolio included \$458,617 of marketable equity securities. A hypothetical 10% decline in the price of each of these marketable equity securities would result in a total decline of \$45,862 in the fair value of the equity portfolio at September 30, 2005. As of December 31, 2004, a hypothetical 10% decline in the price of marketable equity securities would have resulted in a total decline of \$44,112 in the fair value of the equity portfolio. The increase in the Company's exposure to equity price risk is primarily the result of the increase in the value of the equity portfolio from \$455,153 at December 31, 2004 to \$458,617 at September 30, 2005.

As an economic hedge against a decline in the U.S. equity markets, the Company has executed short sales totaling approximately \$300,000 of SPDRs. Simultaneously, the Company purchased two-year S&P Index call options, limiting the potential loss on the future purchases of SPDRs to \$60,000 as of September 30, 2005. 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 in foreign currency denominated assets due to a decline in the exchange rate of the foreign currency relative to the US dollar. As of September 30, 2005, the Company's total exposure to foreign currency denominated securities in U.S. dollar terms was approximately \$423,866, or 13.1%, of the Company's total investment portfolio, including cash and cash equivalents. The primary foreign currency exposures were in Canadian dollar denominated and Indian Rupee denominated securities, which represented 4.2% and 4.3% of the Company's investment portfolio, including cash and cash equivalents, respectively, as of September 30, 2005. 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 of \$42,387, or 1.3% in the fair value of the total investment portfolio, including cash and cash equivalents, as of September 30, 2005. As of December 31, 2004, a hypothetical 10% decline in foreign currency exchange rates would have resulted in a total decline of \$34,875 in the fair value of the total investment portfolio.

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 has been advised by Fairfax that Fairfax has received a subpoena from the Securities and Exchange Commission (the "SEC") requesting documents regarding any non-traditional insurance and reinsurance transactions entered into or offered by Fairfax or any of its affiliates. As a subsidiary of Fairfax, the Company is currently reviewing its obligations under the subpoena received by Fairfax and intends to cooperate fully with the SEC. The Company has been further advised that the U.S. Attorney's Office for the Southern District of New York will be reviewing information provided by Fairfax to the SEC in connection with its subpoenas. It is possible that the U.S. Attorney's Office for the Southern District of New York or other governmental and enforcement agencies will review information the Company provides to the SEC, or that the Company may become subject to direct requests for information or other inquiries by such agencies.

The Company and U.S. 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 intends 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.

In addition, 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 financial condition 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.

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: October 28, 2005

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

Date: October 28, 2005

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

INDEX TO EXHIBITS

Exhibit No.

- *10.17 Addendum to the Tax Sharing Agreement between Fairfax Inc. and Crum & Forster Holding Inc., effective as of January 1, 2005.
- *10.36 Addendum to the Tax Sharing Agreement between Fairfax Inc. and Crum & Forster Holdings Corp., effective as of January 1, 2005.
- *10.37 Amendment Number 1 to the Investment Agreement among Hamblin Watsa Investment Counsel Ltd., Fairfax Financial Holdings Limited and Crum & Forster Specialty Insurance Company, effective as of January 1, 2005.
- *10.38 Amendment Number 1 to the Investment Agreement among Hamblin Watsa Investment Counsel Ltd, Fairfax Financial Holdings Limited and Seneca Specialty Insurance Company, effective as of January 1, 2005.
- *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, 2004 filed with the Securities and Exchange Commission on March 7, 2005, as amended by Form 10-K/A filed with the Securities and Exchange Commission on June 28, 2005).

* Filed herewith

Fairfax Inc. and Crum & Forster Holding Inc. Addendum to Tax Sharing Agreement

In order to align the Fairfax, Inc. Tax Allocation Agreement, effective January 1, 2000, (the "Tax Sharing Agreement"), with tax planning strategy, and ensure that the net operating losses of Crum & Forster Holding Inc. ("CFHI") are reimbursed by Fairfax, Inc. before their expiration, in the event CFHI implements the tax planning strategy in which they elect to file a consolidated tax return with their subsidiaries for financial tax accounting purposes under the Tax Sharing Agreement, Fairfax Inc. agrees to reimburse CFHI for net operating losses utilized in consolidation.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by duly authorized officers to be effective January 1, 2005.

FAIRFAX, INC

By: /s/ John Cassil
Name: John Cassil
Title: Vice President

Crum & Forster Holding Inc.

By: /s/ Mary Jane Robertson
Name: Mary Jane Robertson
Title: Sr. Executive Vice President

Amendment Number 1 to Investment Agreement

This Amendment Number 1 ("Amendment") to the Investment Agreement ("Agreement") dated as January 1, 2002, between Crum & Forster Specialty Insurance Company and Hamblin Watsa Investment Counsel Ltd. and Fairfax Financial Holdings Limited is effective as of January 1, 2005.

1. Capitalized terms used herein but not defined herein shall have the meanings ascribed to them in the Agreement.
2. Schedule A is hereby amended to read in its entirety as attached hereto.
3. Unless specifically modified in this Amendment, all other terms and conditions contained in the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute this Amendment as of the date written below.

Hamblin Watsa Investment Counsel Ltd.

Crum & Forster Specialty Insurance Company

By: /s/ Paul Rivett

Authorized Signature

By: /s/ Dennis J. Hammer

Authorized Signature

Paul Rivett

Printed Name

Dennis J. Hammer

Printed Name

Vice President

Title

Senior Vice President, Treasurer, Controller

Title

Fairfax Financial Holdings Limited

By: /s/ Paul Rivett

Authorized Signature

Paul Rivett

Printed Name

Vice President

Title

SCHEDULE A

INVESTMENT GUIDELINES

FUNDAMENTAL OBJECTIVES

1. Invest on a long-term basis in accordance with applicable insurance regulatory guidelines.
2. Ensure preservation of invested capital for policyholder protection, always providing sufficient liquidity for the payment of claims and other policy obligations.

GUIDELINES

1. Approach

All investments are to be made using the long-term value investing approach by investing in the securities of companies and other entities at prices below their underlying long-term values to protect capital from loss and earn income over time and provide operating income as needed.

With regard to equity securities, the investment manager will attempt to identify financially sound companies and other entities with good potential profitability which are selling at large discounts to their intrinsic value. Appropriate measures of low prices may consist of some or all of the following characteristics: low price earnings ratios, high dividend yields, significant discounts to book value and free cash flow. Downside protection is obtained by seeking a margin of safety in terms of a sound financial position and a low price in relation to intrinsic value. Appropriate measures of financial integrity which are regularly monitored, include debt/equity ratios, financial leverage, asset turnover, profit margin, return on equity and interest coverage.

As a result of this long-term value investing approach, it is anticipated that purchases will be made when economic and issue-specific conditions are less than ideal and sentiment is uncertain or negative. Conversely, it is expected that gains will be realized when issue-specific factors are positive and sentiment is buoyant. The investment time horizon is one business cycle (approximately 3-5 years).

With respect to fixed income securities, the long-term value investing approach is similar. The investment manager will attempt to purchase attractively priced bonds offering yields better than treasury bonds with maturities of 30 years or less that are of sound quality, i.e. whose obligations are expected to be fully met as they come due. Rating services are not regarded as an unimpeachable source for assessing credit quality any more than a broker's recommendation on a stock is necessarily correct. With any form of investment research and evaluation, there is no substitute for the reasoned judgment of the investment committee and the investment manager.

2. Liquidity

An adequate cash flow shall be maintained to ensure that claims and operating expenses are paid on a timely basis. An operating cash position is to be maintained at appropriate levels and will be managed by the insurance company in accordance with an approved list of liquid investments, as determined from time to time by the investment committee. These securities will be managed by the insurance company as part of the treasury function and are primarily restricted to treasury and agency securities of the U.S. government.

3. Regulatory

All applicable insurance regulations will be complied with.

4. Diversification

The portfolio is to be invested in a wide range of securities of different issuers operating in different industries and jurisdictions in order to diversify risk.

5. Prudent Person Rule

Prudent investment standards are considered in the overall context of an investment portfolio and how a prudent person would invest another person's money without undue risk of loss or impairment and with a reasonable expectation of fair return.

6. Investment Committee

The board of directors of the insurance company shall appoint an investment committee of the investment manager as the investment committee of the insurance company. The investment committee shall meet at least once each quarter to review the investments and loans of the insurance company.

STRATEGY

1. Maintain Adequate Liquidity

A detailed review of portfolio liquidity is undertaken on a periodic basis. This liquidity analysis determines how much of each portfolio is in cash or can be converted into cash in a given time period. The insurance company determines its near term liquidity requirements and the liquidity of the portfolio will be modified from time to time to match such near term requirement.

2. Asset Allocation

The asset allocation will be determined by the investment manager and will include short-term investments that will generate appropriate cash flows and long-term investments such as stocks and bonds, both domestic and foreign, that generate investment gains. The asset allocation will be monitored from time to time in order to comply with regulatory guidelines and meet insurance policy liabilities.

3. Foreign Exchange Risk

The investment manager shall use its discretion to hedge any foreign currency investments and exposures. The investment manager may use a variety of methods to reduce such exposures, including forward foreign exchange contracts, currency options and natural hedging with foreign pay liabilities of the insurance company. Un-hedged foreign investments will be limited to 15% of admitted assets at cost, subject to adjustment to conform with applicable insurance regulatory requirements. Un-hedged exposure above this amount must be approved by the investment committee.

4. Interest Rate Risk

Interest rate risk will be minimized primarily through investment in a variety of term to maturity fixed income securities with maturities less than thirty years. Maximum fixed income portfolio duration is limited to the equivalent of a twenty year term to maturity treasury security.

INVESTMENT CLASS EXPOSURE

The following exposure ranges established by the investment committee shall be monitored and maintained by the investment manager for the stated asset classes:

<u>Class</u>	<u>Range</u>
Equities	0-25%
Fixed Income	0-100%

Within the fixed income portfolio, the taxable/tax exempt mix will be determined relative to the consolidated tax position of the insurance company and its affiliates and the relative investment attractiveness of available tax exempt securities.

The investment committee will monitor the total asset class exposure and, if deemed appropriate, will provide specific direction from time to time to the investment manager with respect to the asset exposure ranges.

RETURN EXPECTATIONS

The foregoing asset class exposure is expected, on an annual basis, to result in returns better than the Consumer Price Index plus 3% over a ten year period before the disbursement of investment management fees. However, in any one year the annual return may be significantly above or below this expectation.

INVESTMENT OBJECTIVES OF THE INVESTMENT MANAGER

The investment manager, subject to regulatory and insurance company imposed constraints mentioned elsewhere, expects to provide additional returns to those returns that would be earned by the alternative of passively managing a surrogate market index.

Measured over four year moving periods, performance of the investment manager is expected to result in the following returns:

All Equities	S&P 500 + 1% point
Fixed Income:	
Taxable Bonds	Merrill Lynch Intermediate Treasury Index + 0.25%
Tax-Advantaged Bonds	Lehman Brothers 3 & 5 Year State GO Indexes

AGGREGATE INVESTMENT LIMITS, PERMITTED INVESTMENT CATEGORIES AND INDIVIDUAL INVESTMENT LIMITS

PERMITTED INVESTMENT CATEGORIES WITHIN ASSET CLASSES

The following are some examples of permitted investments within each asset class:

Equity	Common shares, rights and warrants.
Fixed Income	Bonds, debentures, preferred shares, including those convertible into common shares.
Cash	Cash on hand, demand deposits, treasury bills, short-term notes and bankers' acceptances, term deposits and guaranteed investment certificates.

All of the above may be either U.S. domestic, Canadian or other foreign investments.

Convertible preferred securities will be classified as equities if the preferred dividend is not being paid.

Private placement issues in public companies are allowed.

INVESTMENT CONSTRAINTS

All investments will be made in accordance with applicable insurance legislation as amended from time to time.

INDIVIDUAL INVESTMENT LIMITS

Any combination of investments in any one corporate issuer will be limited to a maximum of 10% of admitted assets.

QUALITY CONSTRAINTS

The investment manager may invest in permitted investment categories subject to the following quality constraints:

Investments in money market instruments (less than or equal to 1 year term) will be limited to those included on the list approved by the insurance company. This list will include money market instruments of the U.S. Treasury, agencies of the U.S. government, and as a minimum commercial paper rated A1 or higher by Moody's and rated P1 or higher by Standard & Poor's.

Investments in bonds and preferred securities will be limited by bond rating category as follows:

LIMITS AS % OF ADMITTED ASSETS

<u>Bond Rating</u>	<u>% of Total</u>	<u>Min./Max.</u>
A or better	50%	Min.
BBB	50%	Max.
Less than BBB	20%	Max.

The above limits are subject to adjustment to conform with applicable insurance regulatory requirements.

Limits are determined on a cost basis and include convertible securities.

Downgrades will be taken into account when making new investments but will not necessarily result in the sale of existing positions.

Securities which are not rated by any public rating agency must be rated by the investment manager and included as part of the categories above for the purposes of determining overall exposure by bond rating category.

Any exceptions to the above must be approved by the investment committee.

PROHIBITED INVESTMENTS

In addition to any applicable insurance legislation prohibitions:

- (a) No Real Estate will be purchased without investment committee approval.
- (b) No Mortgages on real estate will be purchased without investment committee approval. The exceptions to this are obligations issued by an agency of the U.S. Government, or by U.S. domiciled corporations that are issued as part of a registered public offering that also meet the minimum quality tier requirements.

FOREIGN INVESTMENT LIMITS

Foreign securities may be purchased in compliance with applicable insurance legislation and with the policy on foreign exchange risk outlined herein. Unless otherwise required by applicable insurance legislation, Canadian securities shall not be considered foreign securities and securities issued by U.S. domestic companies or other U.S. domestic entities that are denominated in foreign currencies shall not constitute foreign securities.

OTHER

Derivative securities may be purchased up to 7.5% of the portfolios cost at book, subject to adjustment to conform with applicable insurance regulatory requirements. Use of derivative investments is infrequent and primarily for hedging purposes. The aforementioned limit on the purchase of derivative securities shall not apply to traditional securities with limited embedded derivative components such as convertible bonds and optional maturity date bonds.

Amendment Number 1 to Investment Agreement

This Amendment Number 1 ("Amendment") to the Investment Agreement ("Agreement") dated as January 1, 2002, between Seneca Specialty Insurance Company and Hamblin Watsa Investment Counsel Ltd. and Fairfax Financial Holdings Limited is effective as of January 1, 2005.

- 1. Capitalized terms used herein but not defined herein shall have the meanings ascribed to them in the Agreement.
- 2. Schedule A is hereby amended to read in its entirety as attached hereto.
- 3. Unless specifically modified in this Amendment, all other terms and conditions contained in the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute this Amendment as of the date written below.

Hamblin Watsa Investment Counsel Ltd.

Seneca Specialty Insurance Company

By: /s/ Paul Rivett

Authorized Signature

By: /s/ Dennis J. Hammer

Authorized Signature

Paul Rivett

Printed Name

Dennis J. Hammer

Printed Name

Vice President

Title

Vice President

Title

Fairfax Financial Holdings Limited

By: /s/ Paul Rivett

Authorized Signature

Paul Rivett

Printed Name

Vice President

Title

SCHEDULE A

INVESTMENT GUIDELINES

FUNDAMENTAL OBJECTIVES

1. Invest on a long-term basis in accordance with applicable insurance regulatory guidelines.
2. Ensure preservation of invested capital for policyholder protection, always providing sufficient liquidity for the payment of claims and other policy obligations.

GUIDELINES

1. Approach

All investments are to be made using the long-term value investing approach by investing in the securities of companies and other entities at prices below their underlying long-term values to protect capital from loss and earn income over time and provide operating income as needed.

With regard to equity securities, the investment manager will attempt to identify financially sound companies and other entities with good potential profitability which are selling at large discounts to their intrinsic value. Appropriate measures of low prices may consist of some or all of the following characteristics: low price earnings ratios, high dividend yields, significant discounts to book value and free cash flow. Downside protection is obtained by seeking a margin of safety in terms of a sound financial position and a low price in relation to intrinsic value. Appropriate measures of financial integrity which are regularly monitored, include debt/equity ratios, financial leverage, asset turnover, profit margin, return on equity and interest coverage.

As a result of this long-term value investing approach, it is anticipated that purchases will be made when economic and issue-specific conditions are less than ideal and sentiment is uncertain or negative. Conversely, it is expected that gains will be realized when issue-specific factors are positive and sentiment is buoyant. The investment time horizon is one business cycle (approximately 3-5 years).

With respect to fixed income securities, the long-term value investing approach is similar. The investment manager will attempt to purchase attractively priced bonds offering yields better than treasury bonds with maturities of 30 years or less that are of sound quality, i.e. whose obligations are expected to be fully met as they come due. Rating services are not regarded as an unimpeachable source for assessing credit quality any more than a broker's recommendation on a stock is necessarily correct. With any form of investment research and evaluation, there is no substitute for the reasoned judgment of the investment committee and the investment manager.

2. Liquidity

An adequate cash flow shall be maintained to ensure that claims and operating expenses are paid on a timely basis. An operating cash position is to be maintained at appropriate levels and will be managed by the insurance company in accordance with an approved list of liquid investments, as determined from time to time by the investment committee. These securities will be managed by the insurance company as part of the treasury function and are primarily restricted to treasury and agency securities of the U.S. government.

3. Regulatory

All applicable insurance regulations will be complied with.

4. Diversification

The portfolio is to be invested in a wide range of securities of different issuers operating in different industries and jurisdictions in order to diversify risk.

5. Prudent Person Rule

Prudent investment standards are considered in the overall context of an investment portfolio and how a prudent person would invest another person's money without undue risk of loss or impairment and with a reasonable expectation of fair return.

6. Investment Committee

The board of directors of the insurance company shall appoint an investment committee of the investment manager as the investment committee of the insurance company. The investment committee shall meet at least once each quarter to review the investments and loans of the insurance company.

STRATEGY

1. Maintain Adequate Liquidity

A detailed review of portfolio liquidity is undertaken on a periodic basis. This liquidity analysis determines how much of each portfolio is in cash or can be converted into cash in a given time period. The insurance company determines its near term liquidity requirements and the liquidity of the portfolio will be modified from time to time to match such near term requirement.

2. Asset Allocation

The asset allocation will be determined by the investment manager and will include short-term investments that will generate appropriate cash flows and long-term investments such as stocks and bonds, both domestic and foreign, that generate investment gains. The asset allocation will be monitored from time to time in order to comply with regulatory guidelines and meet insurance policy liabilities.

3. Foreign Exchange Risk

The investment manager shall use its discretion to hedge any foreign currency investments and exposures. The investment manager may use a variety of methods to reduce such exposures, including forward foreign exchange contracts, currency options and natural hedging with foreign pay liabilities of the insurance company. Un-hedged foreign investments will be limited to 15% of admitted assets at cost, subject to adjustment to conform with applicable insurance regulatory requirements. Un-hedged exposure above this amount must be approved by the investment committee.

4. Interest Rate Risk

Interest rate risk will be minimized primarily through investment in a variety of term to maturity fixed income securities with maturities less than thirty years. Maximum fixed income portfolio duration is limited to the equivalent of a twenty year term to maturity treasury security.

INVESTMENT CLASS EXPOSURE

The following exposure ranges established by the investment committee shall be monitored and maintained by the investment manager for the stated asset classes:

<u>Class</u>	<u>Range</u>
Equities	0-25%
Fixed Income	0-100%

Within the fixed income portfolio, the taxable/tax exempt mix will be determined relative to the consolidated tax position of the insurance company and its affiliates and the relative investment attractiveness of available tax exempt securities.

The investment committee will monitor the total asset class exposure and, if deemed appropriate, will provide specific direction from time to time to the investment manager with respect to the asset exposure ranges.

RETURN EXPECTATIONS

The foregoing asset class exposure is expected, on an annual basis, to result in returns better than the Consumer Price Index plus 3% over a ten year period before the disbursement of investment management fees. However, in any one year the annual return may be significantly above or below this expectation.

INVESTMENT OBJECTIVES OF THE INVESTMENT MANAGER

The investment manager, subject to regulatory and insurance company imposed constraints mentioned elsewhere, expects to provide additional returns to those returns that would be earned by the alternative of passively managing a surrogate market index.

Measured over four year moving periods, performance of the investment manager is expected to result in the following returns:

All Equities	S&P 500 + 1% point
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Convertible preferred securities will be classified as equities if the preferred dividend is not being paid.

Private placement issues in public companies are allowed.

INVESTMENT CONSTRAINTS

All investments will be made in accordance with applicable insurance legislation as amended from time to time.

INDIVIDUAL INVESTMENT LIMITS

Any combination of investments in any one corporate issuer will be limited to a maximum of 10% of admitted assets.

QUALITY CONSTRAINTS

The investment manager may invest in permitted investment categories subject to the following quality constraints:

Investments in money market instruments (less than or equal to 1 year term) will be limited to those included on the list approved by the insurance company. This list will include money market instruments of the U.S. Treasury, agencies of the U.S. government, and as a minimum commercial paper rated A1 or higher by Moody's and rated P1 or higher by Standard & Poor's.

Investments in bonds and preferred securities will be limited by bond rating category as follows:

LIMITS AS % OF ADMITTED ASSETS

<u>Bond Rating</u>	<u>% of Total</u>	<u>Min./Max.</u>
A or better	50%	Min.
BBB	50%	Max.
Less than BBB	20%	Max.

The above limits are subject to adjustment to conform with applicable insurance regulatory requirements.

Limits are determined on a cost basis and include convertible securities.

Downgrades will be taken into account when making new investments but will not necessarily result in the sale of existing positions.

Securities which are not rated by any public rating agency must be rated by the investment manager and included as part of the categories above for the purposes of determining overall exposure by bond rating category.

Any exceptions to the above must be approved by the investment committee.

PROHIBITED INVESTMENTS

In addition to any applicable insurance legislation prohibitions:

- (a) No Real Estate will be purchased without investment committee approval.
- (b) No Mortgages on real estate will be purchased without investment committee approval. The exceptions to this are obligations issued by an agency of the U.S. Government, or by U.S. domiciled corporations that are issued as part of a registered public offering that also meet the minimum quality tier requirements.

FOREIGN INVESTMENT LIMITS

Foreign securities may be purchased in compliance with applicable insurance legislation and with the policy on foreign exchange risk outlined herein. Unless otherwise required by applicable insurance legislation, Canadian securities shall not be considered foreign securities and securities issued by U.S. domestic companies or other U.S. domestic entities that are denominated in foreign currencies shall not constitute foreign securities.

OTHER

Derivative securities may be purchased up to 7.5% of the portfolios cost at book, subject to adjustment to conform with applicable insurance regulatory requirements. Use of derivative investments is infrequent and primarily for hedging purposes. The aforementioned limit on the purchase of derivative securities shall not apply to traditional securities with limited embedded derivative components such as convertible bonds and optional maturity date bonds.

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: October 28, 2005

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: October 28, 2005

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 September 30, 2005 (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: October 28, 2005

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 September 30, 2005 (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: October 28, 2005

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.