Q2 2019 Earnings Call

Company Participants

- Derek Bulas, Assistant Vice President-Legal
- John Varnell, Vice President, Corporate Development, Interim Chief Financial Officer
- Paul Rivett, President

Other Participants

- Christopher Gable, Analyst
- Jaeme Gloyn, Analyst
- Jeff Fenwick, Analyst
- Mark Dwelle, Analyst
- Mikel Abasolo, Analyst
- Paul Holden, Analyst
- Tom MacKinnon, Analyst

Presentation

Operator

Good morning and welcome to Fairfax's 2019 Second Quarter Results Conference Call. Your lines have been placed in a listen-only mode. After the presentation, we will conduct a question-and-answer session. (Operator Instructions) Today's conference is being recorded. If you have any objections, you may disconnect at this time. Your host for today's call is Mr. Paul Rivett with opening remarks from Mr. Derek Bulas. Mr. Bulas, you may now begin.

Derek Bulas

Good morning and welcome to our call to discuss Fairfax's 2019 second quarter results. This call may include forward-looking statements. Actual results may differ perhaps materially from those contained in such forward-looking statements as a result of a variety of uncertainties and risk factors. The most foreseeable of which are set out under risk factors in our Base Shelf Prospectus, which has been filed with Canadian securities regulators and is available on SEDAR.

I'll now turn the call over to our President, Paul Rivett.

Paul Rivett {BIO 15243791 <GO>}

Thank you, Derek. Good morning, everyone. This call is primarily meant for you, the shareholders of Fairfax, although throughout the years many of our partners such as analysts, auditors, regulators, rating agencies, lawyers, bankers, media, all listen to this call. We also have many of our employees at Fairfax, Hamblin Watsa, FairVentures and many hundreds of thousands of employees, not only in our insurance and reinsurance companies, but also in our partner and investee companies around the world listening to this call.

For many of us here at Fairfax, Sunday, May 19, was the darkest day of our professional lives. It was the day we learned of the sudden death of David Bonham. David joined Fairfax at roughly the same time as me 16 years ago, our careers developed together and he was my partner on these earnings calls. More importantly, Dave was our friend. He was a brilliant, dedicated, tireless, selfless, consummate professional and one of the youngest CFOs of a multinational public company in Canada. His wit was irrepressible and poignant. He was by far the funniest person in our office. He was a devoted husband and a loving father to two, the life for young children. He was a private man who loved his job, love this company and everyone who worked in it and everything it stands for. He asked for nothing from Fairfax and he gave us his all. He was truly fair and friendly always. We miss him dearly. His death was an untimely tragedy that none of us will forget. We want to thank all of the hundreds of people who have expressed their sympathy and condolences to us and ultimately to Dave's wife and two young children. Your support means so much to us and more importantly to his family. At this time, I would like to take a brief moment of silence to remember, Dave.

There is no question Dave would have liked us to move on for the company he loved to drive forward and continue to grow and succeed. With heavy hearts we will continue on this mission, building a great company, a fair and friendly company that with hard work and good fortune survives us all and carries forward the memory of those like David Bonham who help build this great organization called Fairfax.

Now the purpose of this earnings call for the results of our second quarter. I will discuss some of the second quarter highlights and then pass the call to John Varnell, our Interim Chief Financial Officer for additional financial and accounting details. Fairfax's net earnings were $449 million in the second quarter versus $63 million in the second quarter of 2018, which equates to net earnings per share of $17.18 versus $1.82 in 2018. For this first six months of 2019, our net earnings were $1.26 billion versus $747 million for the first six months of 2018.

Fairfax's book value per share increased $464.86 at June 30 compared to $432.46 at December 31. An increase of 9.9% adjusted for the $10 dividend in the first quarter. Our presidents generated another good quarter with an aggregate combined ratio below 100% with a combined ratio of 96.8% and strong reserves across the group while producing an underwriting profit of $101 million in the second quarter. All of our major insurance companies generated combined ratios less than one 100% with Zenith at 84.5%, Odyssey Group at 96.6%, Northbridge at 99.1%, Brit at 96%, Crum & Forster at 97.5%, and Allied World at 97.9%. It is fantastic to see Allied World hitting stride.

For the second quarter, operating income was strong at $330 million and our net gains on investments for the second quarter were also solid at $449 million. Now some key highlights to bring to your attention. First, our companies are continuing to see healthy, hardening price increases across most lines of business in North America with the exception of workers' compensation. This was demonstrated in the second quarter as our insurance and reinsurance businesses' net written premium increased year-over-year by 6.8% after adjusting for the acquisition of ARCs insurance, which is the new name of our Ukrainian company purchased from AXA, as well as the runoff of Advent. Principal areas of growth were at Northbridge, Odyssey, Crum & Forster and Fairfax Asia. By company, the change in net premiums written for the second quarter were as follows; Odyssey Group up 8%, Crum & Forster up 17%, Northbridge up 13%, Brit was roughly flat, Allied World up 4.5%, and Zenith was down 5%. As we have said on prior calls, Kari and the team at Zenith continue to do what they have done for decades, taking the long-term view and prudently letting go of business that is inadequately priced.

At the end of the second quarter, we have approximately $9.5 billion invested in short-term US treasuries and short-term investment-grade corporate bonds. Given the continued strength of the US economy and a potential longer term bias towards higher interest rates, we continue to be positioned on the shorter end of the treasury curve for the time being. That said, we continue our focus on growing interest and dividend income which was $222 million in the second quarter versus $178 million in the second quarter of 2018.

In May, the Grivalia merger into Eurobank was completed and as a result shareholders of Grivalia including Fairfax received 15.8 newly issued Eurobank shares in exchange for each share of Grivalia. As a result of this transaction, we deconsolidated Grivalia, recognized a non-cash gain of $171 million and reduced our non-controlling interest by $466 million. We owned approximately 53% of Grivalia and 18% of Eurobank prior to the merger and now own approximately 32% of Eurobank. We are very excited about the future of Eurobank and the prospects for Greece with a very business-friendly majority government. Also in May, IIFL Holdings spun off two of its subsidiaries and recognized a significant gain. Our share of that gain primarily through Fairfax India was $116 million and recorded in share of profit of associates.

In June, we completed a debt offering of CAD500 million of 4.23% unsecured senior notes due 2029 with the proceeds to be used to repay near-term maturities. Subsequent to June 30, we redeemed our remaining CAD395 million of 6.4% senior unsecured notes due May 25, 2021, for cash consideration of CAD429 million. This pushes our next debt maturity out to 2022 and our run rate aggregate average interest rate is now 4.6% versus 4.8% in 2018 and 5.8% in 2017.

On July 17, we announced that Scott Carmilani will be moving up to the Fairfax level working with Andy Barnard and myself on organic growth initiatives for our Group globally. Lou Iglesias Scott's chosen successor has moved into the CEO role at Allied World. Scott built Allied World. He knows how to build businesses from scratch and we are looking for him to accelerate our global multinational business Fairfax Worldwide, as well as to expand our broker and client relationships around the world to bring us to the forefront as a global insurance and reinsurance operation.

Our Hamblin Watsa investment team continues to cautiously observe and monitor global events and economic indicators. We believe the US economy is robust and growing, the job market continues to be from and gains appear to be broad based across industries including rebounding manufacturing and construction. Likewise personal consumption in US remains strong as does headline inflation. That said, the US Fed is cutting rates, and it appears that the US Fed will continue with further rate cuts continuing a global trend with over 23 central banks around the world cutting rates in the last year.

The entire Swiss sovereign curve is now below 0, the Greek tenure is now yielding only 3 basis points more than the US tenure and the tenured Italian bond is yielding 32 basis points less. At the longer end of the US. 30-year is yielding only 19 basis points more than the Fed funds rate. In this environment, we remain ever vigilant not to reach for yield and continue to believe that stocks have ample room to appreciate but we must be cautious and consider inexpensive ways to protect our investment returns.

I will now pass the call over to John Varnell, our Interim Chief Financial Officer. But before I do, I want to thank John on behalf of all of us for jumping in with both hands to help us during this interim period. One of the great things about Fairfax's culture is the loyalty and long-serving tenure of our team. John embodies this culture having previously been Fairfax's CFO, as well as previously as CFO of Northbridge and Fairfax India, John was uniquely suited to help us in time of need. With tremendous bench strength internally and we look to make announcement soon, but it would be remiss if I did not acknowledge, John. John, thank you.

John Varnell {BIO 5699703 <GO>}

Thank you, Paul. Speaking about our insurance operations, underwriting profits at our insurance and reinsurance operations in the second quarter and first six months of 2019 decreased to $101 million and $189.4 million with combined ratios of 96.8% and 96.9% in each of those respective periods, compared to underwriting profits of $115.8 million and $224.9 million with combined ratios of 96.1% in each of those respective periods in 2018. Our combined ratios benefited from net favorable prior year reserve development in the second quarter and first six months of 2019 are $41 million and $90.8 million and that translated into 1.3 and 1.5 combined ratio points in each of those periods compared to net favorable prior year reserve development of $113 million and $199 million, which represented 3.8 and 3.5 combined ratio points in both of those periods.

So turning to our operating company results, starting with Northbridge, Northbridge reported underwriting profit of $2.6 million in the second quarter and $3.3 million in the first six months of 2019 and had combined ratios of 99.1% and 99.4% in both of those respective periods that compared to underwriting losses of $17 million and $14.7 million and combined ratios of 106.2% and 102.7% in each of those same periods in 2018. Northbridge's underwriting results in the second quarter and first six months of 2019 included the benefit of net favorable prior year reserve development of $9.1 million and $32.4 million representing 3 and 5.6 combined ratio points.

This compared to higher net favorable prior year reserve development of $21.5 million and $34.6 million, representing 7.8 and 6.4 combined ratio points in the second quarter and first six months of 2018. The underwriting results in the second quarter and first six months of 2019 included $1.7 million and $7.5 million of current period catastrophe losses compared to $13.8 million and $14.2 million of current period catastrophe losses in the second quarter and first six months of 2018. In Canadian dollar terms, net premiums written by Northbridge in the second quarter and first six months of 2019 increased by 17.6% and 15.8% in each of those respective periods, reflecting increased renewal business and price increases across the group.

Turning to Odyssey Group, odyssey reported underwriting profits of $26.9 million and $68.1 million with combined ratios of 96.6% and 95.5% in the second quarter and first 6 months of 2019 compared to underwriting profit of $60.9 million and $115.4 million and combined ratios of 91.4% and 91.3% in both the second quarter and first 6 months of 2018. Current period catastrophe losses of $32.1 million and $67.9 million representing 4.1 and 4.5 combined ratio points in the second quarter and first six months of 2019 were slightly higher than current period catastrophe losses of $26.9 million and $64.8 million representing 3.8 and 4.9 combined ratio points in the second quarter and first six months of 2018. Odyssey Group's combined ratios in the second quarter and first six months of 2019 also benefited from net favorable prior year reserve development of $4.2 million and $40.1 million and that is 0.5% and 2.7 combined ratio points respectively. That compared to net favorable prior year reserve development of $45.4 million and $85.9 million, which is 6.4 and 6.5 combined ratio points respectively in the second quarter and six months of 2018. Odyssey Group wrote $856 million and $1.7 billion of net premiums in the second quarter and first six months of 2019, increases of 8.4% in the second quarter of 2019 and 11.8% in the first six months of 2019 with the increase principally reflecting higher net premiums written across all divisions with the US insurance, Euro-Asia and London market divisions accounting for the majority of the increase.

Moving on to Crum & Forster. Crum & Forster's underwriting profit improved to $13 million and $24.2 million in the second quarter and first six months of 2019 with combined ratios of 97.5% and 97.6% in both of those respective periods. That compared to underwriting profit of $7.2 million and $8.5 million and combined ratios of 98.5% and 99.1% in the second quarter and first six months of 2018. Net prior year reserve development was nominal in the second quarter and first six months of 2019 and 2018. Crum & Forster's net premiums written increased by 17.4% in the second quarter and 14% in the first six months of 2019, primarily reflecting growth in surplus and specialty, accident and health, and surety and programs lines of business.

Zenith National, Zenith reported underwriting profits in the second quarter and first six months of 2019 of $28.4 million and $67.6 million and combined ratios of 84.5% and 81.4% compared to underwriting profits of $22.7 million and $50 million with combined ratios of 88.6% and 87.4% in each of those respective periods in 2018. The combined ratios in the second quarter and first six months of 2019 included 12 and 16.2 combined ratio points of net favorable prior year reserve development which compared to 7.1 and 9.3 combined ratio points in the second quarter and first six months of 2018. Zenith wrote $154 million and $427 million of net premiums in the second quarter and first six months of 2019, which was lower than the $162 million and $471 million of net premiums in those respective periods in 2018. The decrease in net premiums written reflected price decreases.

On to Brit, in the second quarter and first six months of 2019, Brit produced underwriting profits of $16.9 million and $28.7 million and combined ratios of 96% and 96.4% compared to underwriting profits of $13.7 million and $17.6 million and combined ratios of 96.8% and 97.7% in each of those same periods in 2018. Net favorable prior year reserve development at $1.9 million in the second quarter and first six months of 2019 was lower compared to the $8.9 million in the second quarter and first six months of 2018. Brit's net premium written increased by 1.2% and 3.7% in the second quarter and first six months of 2019, the increase reflected growth in the core book of business and price increases partially offset by reductions in non-core lines of business.

For Allied World, their underwriting profit decreased to $12.9 million and was flat with a combined ratio of 97.9% and 100% in the second quarter of 2019 and break-even in the first six months of 2019 compared to an underwriting profit of $28.6 million and $55.3 million and combined ratios of 94.9% in the same periods of 2018. Allied World's underwriting profit in the second quarter and first six months of 2019 was impacted by $24.8 million or 3.9 combined ratio points and $79.6 million or 6.7 combined ratio points of net adverse development. The comparable periods in the prior year reflected net favorable development of $11.2 million which is 2 combined ratio points and $15 million which is 1.4 combined ratio points. Allied World wrote $656.5 million and $1.4 billion in net premiums in the second quarter and first six months of 2019, representing a year-over-year increase of 4.5% and 1.5% respectively.

Fairfax Asia recorded underwriting profits of $1 million and $1.5 million and combined ratios of 97.9% and 98.4% in the second quarter and first six months of 2019. This was better than the underwriting profit of $0.3 million and the underwriting loss of $2 million with combined ratios of 99.5% and 102.1% in those same periods in 2018. The combined ratios in the second quarter and first six months of 2019 included $8.4 million and $13.4 million, which is 17.5 and 14.3 combined ratio points of net favorable prior year reserve development, that compared to $5.1 million and $10.6 million which is 11 combined ratio points in each period of net favorable prior year reserve development in the second quarter and first six months of 2018.

Insurance and Reinsurance Other, this segment produced underwriting losses of $0.7 million and $4 million and combined ratios of 100.3% and 100.8% in the second quarter and first six months of 2019 compared to underwriting losses of $0.6 million and $5.2 million in combined ratios of 100.2% and 100.9% in those same periods in 2018. Runoff reported operating losses of $12.8 million and $30.8 million in the second quarter and first six months of 2019 compared to operating losses of $20 million to $53 million in those same periods in 2018. The improvement in the operating loss in 2019 principally reflected higher interest and dividends.

For the consolidated group, consolidated interest and dividend income increased year-over-year from $177 million in the second quarter of 2018 to $221 million in the second quarter of 2019, primarily reflecting higher interest income earned on increased holdings of short-dated US Treasury bonds and high quality corporate bonds, partially offset by lower interest income earned as a result of a reduction in holdings of US municipal bonds.

For taxes, Fairfax recorded a provision for income taxes of $146.5 million at a 20.2% effective tax rate in the second quarter of 2019 and a provision for income taxes of $329.6 million at a 19.1% effective tax rate in the first six months of 2019. Our total debt to total capital ratio, excluding non-insurance operations increased to 28.3% at June 30, 2019, from 25% at December 31, 2018, primarily as a result of the receipt of proceeds from the debt issue in Q2. The ratio would have been 27.3% when you factor in the July 15, 2019, senior notes redemption. We ended the second quarter of 2019 with an investment portfolio which included holding company cash and investments of $41.4 billion, which was a nice increase from the $38.8 billion held at December 31st, 2018.

And with that, I'll pass it back over to Paul.

Paul Rivett {BIO 15243791 <GO>}

Thank you, John. We now look forward to answering your questions, please give us your name, your company name, and try to limit your questions to only one, so that it is fair to all on the call. Okay Missy, we are ready for your questions.

Questions And Answers

Operator

Perfect, thank you so much. We will now begin the question-and-answer session. (Operator instructions). Our first question is from the line of Mr. Jaeme Gloyn of NBF. Mr. Gloyn, your line is now open.

Q - Jaeme Gloyn {BIO 19737597 <GO>}

Thank you. Good morning.

A - Paul Rivett {BIO 15243791 <GO>}

Hey, good morning, Jaeme.

Q - Jaeme Gloyn {BIO 19737597 <GO>}

Yeah, question is related to the invested asset portfolio, I noticed a shift this quarter from higher rated bonds into some A and BBB rated bonds. I'm just looking for a little bit more color around that strategy and how that impacts and other moving parts impacted your previous sort of target or I guess guidance that run rate of a $1 billion of interest and dividend income is achievable?

A - Paul Rivett {BIO 15243791 <GO>}

Thanks for the question, Jaeme. So we are still trying to get to that $1 billion, but being mindful of wanting to stay on the short end of the curve. So, right now our term is about 1.9 years. So we're trying to stick tight. That said, we've been able to get interest income up but we want to stay in good credits. There has been a little bit more of the BBB, but we'll be very mindful, Brian and Wade and Prem, the tire team are looking at these credits and very mindful not to go below investment grade, but staying on the very short end of the curve.

Q - Jaeme Gloyn {BIO 19737597 <GO>}

Would this offset the impact of the lower yield curve at this time or what's going to be - what's going to have more of an impact here? The shift that's going to offset that or is the lower yields going to drive the yield on investment assets, lower them, what we saw in Q2?

A - Paul Rivett {BIO 15243791 <GO>}

No, I would expect that is going to, we have, we continue to have the longer dated coming off, but we're managing to find that yield even on the short end, so we don't expect it's going to go backwards. We may not accelerate towards the $1 billion as fast as we thought, but we are, but we don't think we're going to be going back

Q - Jaeme Gloyn {BIO 19737597 <GO>}

Okay, thank you.

A - Paul Rivett {BIO 15243791 <GO>}

You are welcome.

Operator

Thank you so much. Our next question is from the line of Jeff Fenwick of Cormark Securities. Mr Fenwick, your line is now open.

Q - Jeff Fenwick {BIO 15350794 <GO>}

Hi, good morning everyone.

A - Paul Rivett {BIO 15243791 <GO>}

Good morning, Jeff.

Q - Jeff Fenwick {BIO 15350794 <GO>}

Just wanted to dig into the insurance operations, specifically Allied, and you mentioned it is, you think pleased with the performance of that area there, it's had a couple of quarters of a little weaker underwriting results on reserve development and at the same time we did see a nice big uptick in gross premiums in the quarter, although you ceded, I guess, a big chunk of that. So how do you feel that unit is positioned or the developments, the negative development that we've seen, is that a transient thing in your mind, and is it a position here to just capitalize upon being in North America and retain more of that volume?

A - Paul Rivett {BIO 15243791 <GO>}

Yeah, know, that's a good question. So they are hitting stride. So price increases are significant, some lines as much as 30% up and month-over -month just continuing to accelerate. So we're feeling very good about what they're getting as far as strong price increases, which is leading to higher premiums generally. And we do think that the reserve developments transient primarily related to the JV [ph] development that we're seeing in the industry, but it's coming to an end, so, mostly good things coming from Allied in the future.

Q - Jeff Fenwick {BIO 15350794 <GO>}

And then maybe if you could talk a bit on leverage levels within Fairfax in general, I know you had some moving parts here around some new debt you're reassuring and some of the older stuff, how are you feeling about the run rate leverage level within this today, I know it's one area that the ratings agencies kind of begin with in Fairfax and where should we expect that to settle out versus where it was at the end of the quarter?

A - Paul Rivett {BIO 15243791 <GO>}

Yeah, so we continue to work on keeping at worst leverage neutral. So we're -- and we're trying to go the other way. I mean what we've done over the last 2 to 3 years by diversifying our funding base going to Europe is we're getting the interest expense run rate coming down fairly significantly, but what we're targeting is taking leverage down as we grow our equity and not looking to increase leverage.

Q - Jeff Fenwick {BIO 15350794 <GO>}

And just generally, I know Allied was a factor of this, but in terms of reserve development historically Fairfax, and I know you've taken a conservative approach to underwriting, you've always benefited by I think they're roughly 5 to 8 points a year in terms of favorable development and that seems to have tapered off for a couple of quarters, not just Allied, but Odyssey is maybe the other standout there. Are we entering a period here where maybe that favorable development starts to taper a bit in aggregate or what's your view on that?

A - Paul Rivett {BIO 15243791 <GO>}

So I think as an industry, we're starting to see, generally, maybe redundancies come down a little bit, but within our portfolio, our reserves, we continue to be very prudently reserving as we're adding new business and our reserve redundancies are still going to be relatively strong and most of those redundancies come out in the third and fourth quarter in any event. So we're feeling we're feeling good about it, but I think it's a fair question. As an industry I think it is starting to become a little less redundant, but we still have quite a bit in our portfolio and everything we're adding, we're being very prudent to make sure that we will have those redundancies in the future.

Q - Jeff Fenwick {BIO 15350794 <GO>}

Okay, thanks for the answers. I'll re-queue.

Operator

Thank you so much. Our next question on queue is from the line of Mr. Tom MacKinnon of BMO Capital. Sir, your line is now open.

Q - Tom MacKinnon {BIO 2430137 <GO>}

Yeah, thanks very much. Good morning.

A - Paul Rivett {BIO 15243791 <GO>}

Good morning.

Q - Tom MacKinnon {BIO 2430137 <GO>}

I noticed the cash component here, just a clarification, I think it's gone up from around maybe 18% to 25%, is that correct? And is your Grivalia Holdings now, are they in the, which would be maybe about $1 billion, are they in the common stock line that is about $5.5 billion as well?

A - John Varnell {BIO 5699703 <GO>}

So I'll do the last one first. So Grivalia is now in the common stock line.

Q - Tom MacKinnon {BIO 2430137 <GO>}

Eurobank, I should say, right?

A - John Varnell {BIO 5699703 <GO>}

Sorry, yeah Eurobank now. Yes, it's, that's exactly where it is and that's as a result of us going down below -- going below significant influence. So those will sit on our books on a market-to-market basis at this point. On the cash, I think maybe up a little bit slightly, like you said, but we're just being prudent as we move from coming off some of the fixed income we've been in enrolling into shorter duration, fixed income in the future.

Q - Tom MacKinnon {BIO 2430137 <GO>}

And if I look at the stocks plus the investment in associates plus the Holdings in Fairfax, India and Africa, they represent about 30% of your investment portfolio or probably closer to the book value of the company as well. Would you think that you would go any higher than that or is that about as high as you want to get in terms of concentration of those elements?

A - John Varnell {BIO 5699703 <GO>}

Yeah, I think you're directionally right and you're absolutely right, that's, we don't want to go any higher than that.

Q - Tom MacKinnon {BIO 2430137 <GO>}

So the investment philosophy in terms of getting more yield would be to put some of that cash back into fix, does that would?

A - John Varnell {BIO 5699703 <GO>}

That's right. So we're looking for things that we've done extremely well on. We're looking to find buyers for those investments we've made over the years that are doing quite well and we will put that into cash and more short-term fixed income to get us additional operating income.

Q - Tom MacKinnon {BIO 2430137 <GO>}

Thanks very much.

A - Paul Rivett {BIO 15243791 <GO>}

You are welcome.

Operator

Thank you so much. Our next question is from the line of Mr. Paul Holden of CIBC. Your line is now open.

Q - Paul Holden {BIO 6328596 <GO>}

Thanks, good morning. So first question I want to ask is with respect to Eurobank, Paul, you highlighted that is now one of your largest Holdings and you're very positive on the turnaround in the Greek economy but wanted to know what is it within management's control there at Eurobank that can help surface value at this investment?

A - Paul Rivett {BIO 15243791 <GO>}

Well, so I mean, they're doing a number of things, first off at from a competitive standpoint they are now the leading bank in Greece and with that economy growing again and with investors looking for places to put their money, Eurobank being the strongest bank in that country, we'll start to see loan growth over time as the economy expands. And we also think that these transactions on the NPLs continue to see more of that. So you'll see a strengthening balance sheet. It's going to go from strength to strength in that economy and will continue to grow as, and start to start to get an expansion in its net interest margin.

Q - Paul Holden {BIO 6328596 <GO>}

I mean, you have held this investment for quite a number of years now, do you think, hopefully, you don't have to own it for another 10 or so, do you think the past monetization might be something more in the 3 to 5 year range, though a speculation there, but just wondering what you are thinking of in terms of time-frame?

A - Paul Rivett {BIO 15243791 <GO>}

Yeah, we don't like to put any time on things generally. But I think that we're going to see in the next, for sure in the next 3 to 5 years as the economy grows and people start to realize the strength of the Greek economy, particularly with the majority business friendly government there now, we do really think that you're going to see people start to bring the multiple up for Eurobank and it's trading at such a low price to book but there's going to be I think a realization of value by the broader market that Eurobank is the bank to own as you invest in Greece and people are, we're already seeing that people are attracted now to Greece given you look around the world where you're going to find value and Greece is the place to look right now.

Q - Paul Holden {BIO 6328596 <GO>}

Great, thanks. And a second question I'll sneak in here, it seems to be more, let's call it, dislocation taking place in the insurance and reinsurance markets. Is that increasing in any way M&A opportunities for Fairfax?

A - Paul Rivett {BIO 15243791 <GO>}

No, not really. And from our perspective, we are very focused, and with this announcement of Scott Carmilani, there is tremendous opportunity for us to grow organically. So we see it with Fairfax Worldwide. We see it with the broker relationships and distribution that Scott is going to help us take it to the next level organically. But that said, to the extent we see tuck-ins in specialty lines in certain geographies we will look, but we're not looking to add in any significant way from an acquisition perspective at this time.

Q - Paul Holden {BIO 6328596 <GO>}

Got it. Thanks for your answers.

A - Paul Rivett {BIO 15243791 <GO>}

Okay. Well, thank you.

Operator

Thank you so much. Our next question is from the line of Mr. Mark Dwelle of RBC Capital Markets. Your line is now open.

Q - Mark Dwelle {BIO 4211726 <GO>}

Yeah, good morning. I guess my first question and one that I'm a little surprised nobody else has asked is, I guess, I was a little surprised at the level of share buybacks in the quarter, particularly given where the stock traded throughout much of the quarter and the cash and resources that you have available, I really don't see many ideas that are better use of cash than buybacks. So maybe if you could just share a little bit more of your thinking on how you're thinking about doing buybacks, obviously you keep doing them, which is good, but just sort of the pace and cadence for that as we go forward?

A - Paul Rivett {BIO 15243791 <GO>}

Yeah, no, a good question, it is something we're always asking ourselves, you can be assured of that. But over the last 18 months to 24 months, we purchased about a 1.5 million shares and we do look at it, but what we have now is something we haven't seen in about a decade, which is a hardening market and you've seen we've grown as a result of growing our premiums, we're growing our investment portfolio coming up close to $4.2 billion and we really want to be supportive of our companies as they're growing in this hardening market because we will be able to take advantage in the future as we're growing our AUM here. So we are constantly looking at it. We want to be prudent at the holding company. So we want to make sure we have the financial resources at the top of the company as we always have. We are looking in the next 12 months to take out our minority partners in Brit and in Eurolife. But that said, right now, we're really focused on making sure we support our companies as they take advantage of this hardened market.

Q - Mark Dwelle {BIO 4211726 <GO>}

Okay, thank you. Those were some good points. The other question I had was related to the profit share gain on the spin-out of IIFL Holdings within Fairfax India, the amount that's being recognized there, that is only the gain related to that transaction. You're not picking up any potential profit share bonuses for the management of India at this point, are you?

A - Paul Rivett {BIO 15243791 <GO>}

No, no, that's right, but I don't know, John, if you want to add anything to that.

A - John Varnell {BIO 5699703 <GO>}

No, no, you are correct.

Q - Mark Dwelle {BIO 4211726 <GO>}

Okay. Those are all my questions. Thanks.

A - Paul Rivett {BIO 15243791 <GO>}

All right, thank you.

Operator

Thank you so much. We have two more questions on queue and our next question is from the line of Mr. Chris Gable of Wells Fargo Advisors. Your line is now open.

Q - Christopher Gable

Yeah. Thank you very much.

A - Paul Rivett {BIO 15243791 <GO>}

Good morning.

Q - Christopher Gable

Good morning. First question was partially addressed before but it raised another in terms of opportunity cost, you mentioned that you're going to be supporting the growth organically, which I certainly get. But you're also indicating you want to take out the minority interest in Brit and Eurolife. And I'm curious how do you compare those relative opportunities in this much, from my perspective, just what I see, the publicly traded stock seems to be a very compelling opportunities into selling it book and we get the float per share for nothing, which is the bigger price?

A - Paul Rivett {BIO 15243791 <GO>}

No, I agree with you, the unfortunate thing with respect to that though is that we do have an obligation to these minority partners to take them out in the next 12 months. So that's why we're doing it. We made a commitment, and we're going to execute on.

Q - Christopher Gable

Well, thank you. Appreciate the clarification.

A - Paul Rivett {BIO 15243791 <GO>}

You are welcome.

Operator

Thank you so much. We have one more question on queue and this time it is from the line of Mr. Mikel Abasolo of Solo Capital Management. Your line is now open.

Q - Mikel Abasolo {BIO 3756596 <GO>}

Well, thank you for taking my question, and good morning everyone.

A - Paul Rivett {BIO 15243791 <GO>}

Good morning.

Q - Mikel Abasolo {BIO 3756596 <GO>}

Yes. My question goes back to your investments in India. I see that Fairfax Financial has recently announced that you guys are buying a small share in Quess whereas if I look at what's taking place at Fairfax India, I see that beyond the investment in the Bangalore Airport, there is a big concentration of the Fairfax India portfolio on financials in India. Not only why -- what IIFL but I believe that late last year you bought public securities in financial companies, and then more recently, you've made the last payment on your 51% share in Catholic Syrian Bank. I was wondering what's the criterion for placing investments within Fairfax or within Fairfax India? And that would be one. And second one, I would like to hear from you some comment on what's so attractive about the Indian financials. If you look at what the market is saying is that - it is not the time for Indian financials, but of course that may be more opportunity than a threat? If you could comment on those two things, I would appreciate very much. Thanks.

A - Paul Rivett {BIO 15243791 <GO>}

No. Perfect. So I'll go with the last question first. So in a growing economy and India is one of the fastest growing economies in the world, just by reason of demographics is nothing else, growing middle class, growing every few years at the rate of the size of the population of Canada, basically it, in a growing economy like that, financials do better than almost any other investment, so that's kind of from a macro perspective, but down in the specifics we have some of the best bank folks in the country there. If you look at Deepak, who is on our Board, we have the ability to get the best talent into these companies and we believe CSB is a great bank with lots of room to run for instance. So that's why we have the financials, we will always be mindful not to have too much concentration in the fact that the Fairfax India set up with parameters that make sure that we don't have too much concentration. So we work within those, so that's with respect to financials.

On your question with respect to Quess, Quess is not a financial company, but there again, we have one of the best entrepreneurs, not only in India, but we think on the planet, Ajit Isaac, and stock is way down, significantly underpriced we think, and you see his announcements like his partnership with Amazon. He has incredible room to run and, but your question is a good one, we did not buy that within Fairfax India, we purchased those shares at the Fairfax level.

Q - Mikel Abasolo {BIO 3756596 <GO>}

And why is that, Paul, is there a particular reason to place, I mean, is there a criterion or is it just because it's a legacy investment that was taken -- took place at Thomas Cook at the beginning and you follow-up on that, right?

A - Paul Rivett {BIO 15243791 <GO>}

No. Yeah, you got it. It is because of the legacy investments. I don't know, John, if you want to add to that.

A - John Varnell {BIO 5699703 <GO>}

Yeah, when we first started Fairfax India, we had a rule that Fairfax Financial could invest in India in anything they are already in prior to the start-up of Fairfax India. Fairfax India could do anything else. So that was the reason we had the legacy investments that Fairfax Financial and they've stuck to that and Fairfax India can go into the other areas. And that just kept it clean from a corporate governance point of view.

Q - Mikel Abasolo {BIO 3756596 <GO>}

Okay, thanks. This is excellent. If I may ask just one quick one. If you could comment a little on your Runoff business, because I see that it does persistently give any losses and I know that is logical in that type of business, but I see some persistency, if you could comment a little on the Runoff business that would be very helpful? Thank you very much.

A - Paul Rivett {BIO 15243791 <GO>}

Sure. No. Thanks for the question. So, on runoff, we continue to work through the tail on, particularly on things like asbestos, but with RiverStone, we have one of the best Runoff groups in the world and when we are seeing opportunities to grow in areas like in the Lloyd's market, so over there in the UK, we're seeing opportunities to grow the book. The reality is that we need to have investment gains that offset some of that run-off, particularly on the asbestos side. So that's, as our investment performance improve, so too will the numbers at Runoff.

A - John Varnell {BIO 5699703 <GO>}

And the other thing is you'll see in the numbers that Runoff always shows up as an underwriting loss because it isn't writing any premium. But the thing that gets excluded from that is the interest and dividends, and the gains on the float. So it will appear as a negative on the underwriting side, but you won't see the other side, which is the investment income and what we try to do internally is run that as a break-even. So run it with the investment returns on top of the underwriting losses of break-even, sometimes we get there, sometimes we don't. But that's the target we go for. So that's the picture.

Q - Mikel Abasolo {BIO 3756596 <GO>}

Excellent, thanks a lot. Thanks for the clarification. Thanks.

A - Paul Rivett {BIO 15243791 <GO>}

Thanks. Thanks for your questions.

Operator

Thank you so much. We have one more question on queue before we close today's conference call, and that is from Mr. Jaeme Gloyn of NBF. Sir, your line is now open.

Q - Jaeme Gloyn {BIO 19737597 <GO>}

No questions. Thanks.

A - Paul Rivett {BIO 15243791 <GO>}

All right. Thanks, Jaeme.

A - Derek Bulas

Well, it looks like there are no further questions, Missy. So we want to thank everyone for joining on this call and for those of you from Canada, have a great long weekend. Thank you, Missy.

Operator

Thank you so much speakers and that concludes today's conference. Thank you all for joining. You may disconnect your lines at this time.