# Annual General Meeting

## Company Participants

- Andrew A. Barnard, President
- Brian Young, President and Chief Executive Officer
- Jennifer Allen, Vice President and Chief Financial Officer
- Lou Iglesias, Chief Executive Officer
- Matthew Wilson, President
- Peter Clarke, Vice President and Chief Operating Officer
- Prem Watsa, Chairman and Chief Executive Officer
- Silvy Wright, President and Chief Executive Officer

## Other Participants

- Jeff Fenwick, Analyst
- Jeffrey Stacey, Analyst

## Presentation

### Prem Watsa {BIO 1433188 <GO>}

(Starts Abruptly) to allow registered holders and practice holders to complete the electronic voting on the motions brought forth at this meeting.

(Polling)

### Jennifer Allen {BIO 20542595 <GO>}

Mr. Chairman, the voting is now completed and the polls are closed.

### Prem Watsa {BIO 1433188 <GO>}

Thank you Jen, I've advised by the scrutineers, that the ballots and proxies deposited for the meeting have now been voted. I can confirm that the nominated Directors have now been appointed as Directors of the Corporation to hold office until the next Annual Meeting. In addition, I confirm that PricewaterhouseCoopers has been appointed as Auditors of the company to hold office until the next Annual Meeting. We filed a report on SEDAR setting out the voting results following the meeting.

I propose now to terminate the meeting, after that I'd like to talk to you about our operations and then as I said to you with the moderators, we will have a question-and-answer session.

I now invite a motion for termination.

## Jennifer Allen {BIO 20542595 <GO>}

I move that this meeting be terminated.

## Peter Clarke {BIO 15243793 <GO>}

And I (inaudible) to the motion.

## Prem Watsa {BIO 1433188 <GO>}

Thank you, Peter. I declare the meeting terminated. So now, we'll go to the presentation that we have for you and then a Q&A after that. So this is what we do for you every year and basically what it is to say that you know, I've used this expression before that nothing here, that's not in our annual meeting, annual report other than the first quarter results that some of the numbers that we mentioned to you last evening.

So, but a pictures worth a thousand words and so I'm going to go through this very quickly for you. Highlighting some of the things that are important. Looking at, first of all I begin with our guiding principles, then I go into how we've successfully navigated the pandemic that was the hand that we were dealt with.

I want to talk about the long-term strength of Fairfax, the huge long-term strengths we have and I want to make a few comments on the financial markets. So with that as background, let's just go to the guiding principles. So guiding principles, very simply is something that we've had all 35 years, and it shows that we run our companies for the benefit of our customers, providing outstanding service to the customers. Looking after the employees that we have, making a return for our shareholders, which we still continue to define as 15% and then putting some money back into the communities 1% to 2% of our pre-tax profits.

The whole company when we began was worth $2 million, last year despite of a pandemic 2020 we put $23 million back into the communities we did business. When we do all of those things, we think business is a good thing, we think business as a force for good. I'll talk to you a little about that and we think this is how company should be run for long-term the benefit to all of those different constituents.

Our focus is long-term and growth in book value and not quarterly earnings, we go through friendly acquisitions, we're always soundly financed and we provide complete disclosure to our shareholders in our annual report, which you'll see. Next slide is structure, our companies are decentralized, so this structure is so important for us up or 35 years the fact that we are decentralized, we empowered our management, big, big plus, we're talking more about it.

So the companies are decentralized except as you can see performance evaluation, of course succession planning, things like that which are corporate functions, complete and open communication between Fairfax and the Sub, share-ownership incentives, large incentives based on underwriting profit that's how, and we're encouraged across our whole group and we remind ourselves, we're a small holding company and not an operating company. We don't run anything in Fairfax as only the better part of 33 people at the holding Company. We purposely keep it small, so bureaucracy can't build up, and Empowerment works very well.

Values of course, are the key for us. Honesty and integrity essential in all our relationships, never be compromised, we're results oriented team players. You see no egos, you've seen all of this before. And we remember that we are hard working, but we have families and we want to do everything we can to succeed. But none of the expenses by families.

Next few just say business is taking risk, you make some mistakes, you learn from them, try not to do them again, and then continue forward. But we will never bet the Company on any acquisition or project. Finally, your spending so much time in the office, you might has have -- well have a few laps. So we believe that having fun at work. Those around guiding principles, that's the reason we have a wonderful culture. The culture there is a fair and friendly culture. It's based on the fact that the golden rule, treat people like you want to be treated yourselves and we have wonderful group of people that you will -- many of you have met them before and these are our President and Officers, Directors and you'll meet them again next year.

So we were handed a tough deal, the whole world was handed a tough deal last year. Right out of the blue, I call out the blackest of black swans, 180 countries were shutdown. COVID-19 close down the economies of more than 180 countries. 15,000 employees working from home across the world, without missing a beat as I told you before. We said no COVID-19 layoffs at any of our insurance company. So I'm happy to say, all our President fulfill that mandate, no layoffs.

So worst thing we could do all our employees, our family -- we think of them as family, we weren't going to have any layoffs. And finally, we had the -- as I mentioned earlier. I joined the BlackNorth Initiative. We set up a committee at Fairfax among all our companies and we're well on our way to. And as far as we can as one company, discrimination in the workforce.

So that's sort of the hand we were dealt with. I'm going to just show you what we have done very quickly. So the first of course is underwriting and this top -- these are like the seven companies there you got Northbridge, Odyssey, Crum & Forster, Zenith, Brit, Allied, Fairfax Asia, they are about 90% of our consolidated. Wen you consolidate all our insurance companies then this is about 90% of our business. About approximately $19 billion and you can see the combined in spite of COVID losses of $660 million, plus we had a 98% combined ratio. COVID costs us 5%, excluding COVID losses we have you can see that 93% and our premiums grew by 12%.

The only one that had a combined ratio above 100% was Brit. Brit has a terrific track record, but when you have a COVID come in like it did and where you had some business interruption and cancellation insurance, it's a big specialty product and Lloyd's as you can see, it costs 16 percentage points for COVID losses. That's a loss that's how businesses you get these losses that was totally profitable in the past but then last year, it wasn't. We expect Brit to come back strong and be very profitable in the years to come.

But this is the Group of companies that we have that $19 billion across the world and but it's consolidated. Now, the next slide. Next slide please. I'm just showing you very quickly the underwriting -- yes this is how our numbers worked out. Underwriting profit, investment income which is interest and dividend income, you add the two -- you get about $900 million, that's our operating income. Then from that you take out the run-off. Run-off is mainly as best as the incurred losses are coming down significantly but we still have these expenses that are going through. One of these days Peter Clarke, our Chief Operating Officer says, it will end. But right now this is what's flowing through. Non-insurance operating losses like last year, a lot of our non-insurance companies which are either equity accounted are consolidated like Recipe and Thomas Cook had losses and they flow in. Interest expenses is consolidated, that $476 million is not ours. We are responsible for about $280 million of that.

The rest is basically consolidation of all the other companies when you have, when we have an investment, and we have more than 50% or we control out with 40% then it's consolidated and interest expense comes into our statements. The other -- we -- last year about this time, we sent a press release saying that we had -- the markets had come down dramatically in March, we had a $1.5 billion unrealized loss. We thought it was unrealized, we thought it would come back, gave you many examples on that when that's happened. But, by the end of the year that $1.5 billion became of positive $313 million, so it turned pretty dramatically. And in the first quarter, that $313 million as big as -- has gone up by another $875 million approximately.

And then I'll talk about the other billion, but the $875 million is reported. There is a $1 billion on top of that. Our pretax income net earnings, that's just how our companies come. So it's basically underwriting profit, investment income some ins and outs, and when you equity account are consolidated yet a flow of the business, but these are all investments and I'll come back to that. Next slide please.

So we talked about monetization of some of our private investments. So we have a reverse acquisition of Horizon North by Dexterra. So Dexterra is now the new name of the Company and we own 49% of it. And we're expecting great things from Dexterra in the years to come. We sold Davos brands as you know to Diageo. Fairfax Africa has merged with Helios. We've got terrific team in Tope and Baba 15 year track record and they're going to make Helios-Fairfax Partners we call it. One of the most successful investors in Africa. And we think, it's good, you should follow that with a lot of interest. We've got -- our shares, we're not selling a single share and we are backing Tope and Baba there exceptional.

Peak achievement sold its Holdings and Eastern as you know, we didn't for five years, we backed Farmers Edge, we nurtured it and the same with (inaudible) with the IPO, both these companies today have more than $100 million in cash, no debt and very, very sound business going forward. We expect a lot of good things from both of them. We did that and then we've got several IPOs and the works in India. We talk a little more about that in the afternoon.

So we continue to monetize as a few other things that we're looking at monetizing. But we are -- this is in spite of the pandemic, in the midst of the pandemic, we were able to do all of this. Next slide please. So, when -- in March stock prices went down, there was a crash, there was extreme uncertainty creates a panic corporate spreads widened significantly. Our team led by Brian Bradstreet and Kleven Sava, who is our Trader on the mine side, but form and supported with all our investment team supported them. Because every day that was a new issue, we all work together $4 billion in investment grade bonds, average yield 4.1%, term to maturity four years we didn't go long term and net gains on corporate bonds of almost $0.5 billion, and we've sold about half of them now at less than a 1% yield -- less than a 1% yield. We bought them with a 4.1% yield. Next slide please.

Well then, Wade Burton, thought of Wade as an equity guy. Well, he's pivoted and he is responsible for these first mortgage bonds and he is invested $1.5 billion with our long-term partner Kennedy Wilson, which has been a fantastic partner, we've done really well with them. And with Bill McMorrow and team secured by high quality real estate Western United States this is where Kennedy Wilson has tremendous expertise. The long-term value, the loan-to-value ratio that means the mortgage loan to the value of the property less than 60%, average yield of almost 5% of the majority of four years.

Again, short-term we're worried about interest rates going up, so we don't want to go long and so $1.5 billion we put in there and we'll likely put a lot more. Next slide please.



So this just shows you our financial position, as it existed in 2020 and then one point to -- for you to know is that the way we -- the way you handle unexpected events like the pandemic, as the way we handle that is to make sure we have cash in the holding Company in excess of $1 billion. No maturities in the three years -- we basically have bonds we don't have bank debt, no maturities for the next three years and then our credit line, bank line of $2 billion.

So in a very near future with the Riverstone and almost deals being closed, we'll have a $1.3 billion and the end cash and marketable in our holding company, no bank debt. We have refinanced everything that matures in the next three years at lower interest rates than what they were maturing at and we have a credit line that's unused of $2 billion.

That just makes us strong financially. This is something we've done right from the day we began, because you don't know what will happen in the future. We really don't know like the pandemic just came right out of the blue. And so what you do is -- you have a very strong financial position. And so, we will be at $1.3 billion and that's after the Riverstone UK transaction is subject to regulatory approval. And as soon as we get that then our numbers will be like I mentioned to you. Next slide please.

This is a very -- now I have gone to the long-term strengths of Fairfax. What do the strength, we've build -- Fairfax over 35 years, we now built it over long after I'm gone for the next 100 years and what are the key strengths, I'm highlighting them to you very quickly. The first was decentralized operations. We are one of the most decentralized operation that 23 companies here that if you look at the six, seven, eight companies here. And then if you look at Fairfax Asia and you look at other insurance about 23 of them.

Presidents running now, groups that are working together and tons of experience at Fairfax, all their own companies. Huge they're all empowered Fairfax has got a very small holding company, very few people got 15,000 people and all these companies. And so they empowered and the bureaucracy is very simple, it's very minimized.

So you can see if you want to -- if there is a problem, we can claim that out pretty quickly. Andy Barnard all of these companies reporting to Andy. As I'll show you soon. And if there is an opportunity in any of the companies we can now take advantage of it. The focused right now from $19 billion. We are -- we've already grown the gross premium has grown by 17%. If you look that out that -- that will work out to more than $22 billion, so more than $3 billion of gross premium at exactly the right time, because these are very good times in terms of pricing for us. We've had times changed when the pricing wasn't good. Now, the pricing is good and we expand and we're expanding significantly.

Northbridge expanded, Odyssey is expanding huge, Crum & Forster is expanding, Zenith workers compensation is not expanding and they shouldn't be expanding because prices are not going up. But it is flattening out and they might expand in the next year or two. Brit will expand and Allied World 1000 companies is expanding the most among all our companies. Fairfax Asia is expanding and many of all companies in the other area expanding.

Business is good, it's a hard market, we are expanding. Next slide please. This just shows you in pictorial form in a pie chart how globally diversified our operations are that $19 billion the United States you can see is about two-thirds of the business and then you can see where else we are. It's all over the world and that's the left pie chart the one on the right shows you all the different specialties that we have.

All of this is to stay, we don't have to buy anything, we might have to fill-up your gaps, as I mentioned to you. But we've got tremendous specialties and we've got empowered management Groups, who've been with us for a long-time, who loves the culture that Fairfax's belt. Next slide please. So this shows you the consolidated you can see is about $19 billion and premium that's the 100%. But see the non-consolidated, that's basically the Gulf Insurance Group -- GIG, we call it. It's about a $1.5 billion -- $500 million in Eurolife and then another $400 million in Digit and Falcon Thailand makes up the rest. And so that's $2.5 billion in premium pretty significant amount.

We're just buying AXA Gulf, GIG partners are KEPCO. We're buying AXA Gulf, this is the Middle Eastern operations of AXA for almost $1 billion in premium and GIG will become the third largest company in that whole area. We started with GIG, we're having about $500 million in premium, it's got $1.5 billion and now with this billion, which by the way will be internally financed in the main, it will be about $2.5 billion, which is very significant in that every area. We've got terrific management teams with pretty decentralized. And also there is the $2.5 billion has a portfolio of about $5.5 billion.

So you can see we've got Fairfax is all about underwriting profit on the insurance side and managing the investment portfolios. And so, you can see there is a significant amount of scope and scale to our operations and we are growing end of future. Next slide please. So this just shows you again in our map, where we are and there'll be places will buy things a little here and a little there. But basically we are not looking to make any acquisition, any significant acquisition, the property casualty side and we're not looking to do any stock issues that's over. We've built a tremendous business in excess of likely by 2021 in excess of $20 billion. If you add, if you had -- if you add the consolidated -- non-consolidated operations $24 billion plus something like that and so we focused on cooperation, working together and expanding. So next slide please.

So here's a really a long-term strength of Fairfax, the operating management team, this would be on our website. But just have a quick look at Andy Barnard,

Who has been crucial for our business. Best thing we ever did was attract Andy, that were 25 years ago, built Odyssey passed it on to Brian Young. Brian has done a fantastic job for the past 10, 11 years. But you look at, Sylvie Wright. And you look at all of the Presidential run this what you're -- I used to that. And you'll see them long service with Fairfax hand or in the companies like our like for example, Lou has been there for nine years and we thought -- four years ago. So very strong management team, empowered and why we're so excited about our companies. Next slide please.

Another line, so the insurance business, what's the beauty of the insurance business, is this float. The float that we had, when we began, you can see $10 million stood at dollars a share the float is $927, and float has no cost. For the last five years, no cost meaning benefit of 1% and in the last 10 years a benefit of 1.2%.

So what does that mean, so in the last five years, we had an underwriting profit cumulative of $1 billion, last 10 years $2 billion. In 2020 about $300 million and 95% combined on the business that we're writing approximately $15 billion this is net of the $19 billion which is growth. That results in $750 million each year. So we have and we take the next few years because of a hard market the 95% is very much there we have catastrophes and we have also to things that can affect that. But the underlying ratio we think underlying -- underwriting profit should we get $750 million and then we have the use of this $24 billion in the investment side. That's the magic of the property casualty business, that's why we got into the business 35 years ago. Next slide please.

So then, that $24 billion in float, plus about $19 billion in capital, which is our shareholders' equity per foot and some debt and that gives you a $43 billion of an investment portfolio and that's how it would structured. First thing is it's all a long-term value-oriented, second is the point to make is look at that 39% almost 40% in one to two-year treasury bonds earning no income to speak off, but we think it's the right thing to do, not to reach for yield to be very safe, go into things like mortgages and the first mortgages, which by the way of the default can take it over and look after it very simply because it's 60% and they've got -- but when we put money they invest between 10% and 20% so we are partners together and we don't really -- we don't expect any default if that happens we've got a ton of protection.

Our common stock position is 27%. Our common stock position, it's all value-oriented. I've talked a little more, but that it hasn't done as well. It's now in the fourth quarter. It began to do well with the vaccines normalcy returning first quarter it is coming back and we really like everything we've got. The 27% is marketable stocks that we can sell and we have yet to see the first quarter is good, but we have -- but there is a long ways to go and when you asked me the question, and I'll be happy to answer it.

Can we go on to the next slide.

This just shows you our -- you know the IFRS accounting is tough, very difficult to understand, I know that you, many of you have told us this. Common stocks where you own 5% -- 6% something in our common stocks positions then that's mark to market, that's 4.6 billion -- that's mark-to-market, no difference. Common stock when you have 20% or in that area a little more, it's equity accounted that means you take the earnings, less the dividends, any other adjustments, and that's what it is carried at, not at market, and common stocks consolidated that are like recipe of Thomas Cook that consolidated.

Then that's like we own 100% and then there's minority interest that take out the percentage that we don't know and that is shown here. These are all non-insurance investments and you can see that and there is a ton of there listed all of the management teams, their exceptional management teams and so that $4.6 billion at the end of December, has gone up by $875 million. The $3.76 billion and the $1.3 billion, the carrying value for equity accounted and consolidated that's gone up by $1 billion. So in total we've gone up by $1.875 billion, only $875 billion will be shown the other billion can be sell, you're not going to see it, but you don't understand how the value is being built up.

It's very, very significant in our rough common stock. This is a huge long-term strength, we've made a ton of money over 35 years and now we are so sizable that we are expecting, we're going to do really well over time. It's the same people that I've been looking after the monies[ph], we went through a time period with value investing not being so good. In fact, at the end of '2019, it was 10 years that value investing underperformed growth.

The vote to change in 2020 and then the pandemic came in, we think it's about -- we think it's changing already and with the vaccines coming with the pent-up demand built up, we think we're just beginning a time when value investing is going to be very, very profitable. More on the Q&A, let's go on to the next slide.

So you see our rate of return here over a long period of time, you could see it. First point I made it last year, is that you see that time the negative return, the portfolio went down, as you can see that's one, two, three, four -- four times and if you just notice the first time and then look at the next year, we had a very good year.

And then the second time you can see, and now in the 90s and again the next year was very significant. Third and fourth the same thing. This year, you know first quarter 2020 was a very significant negative but we made it, it was the pandemic COVID-19 but we made all of that up in the year itself, as I said $1.5 billion turned around went up $300 million.

And now we are seeing not only the $875 billion but also the investments that we have as I mentioned to you before the consolidated and associates, up about $1 billion. So that's $1.875 billion, you're not going to see the $1 billion, though, in terms of profits that will just be in a note, but that's something we will disclose to you on a regular basis. Next slide, please. So, this is investments in India. We are very excited about what's happening in India. Mr. Modi has got his second term. He's really focused on being business-friendly and here, it shows $2 billion. The Fairfax, India is a 34%, $495 million. That's what we own at Fairfax India. But the control of about $3 billion in assets. The difference between $3 billion and $500 million, $495 million at the end of December.

$2.5 billion, if you add that to the $2 billion that we have -- we have about $4.5 billion in India. And we are excited about the possibilities. The stock is selling at $12.5 million, the book value is over 16. You'll get there our first quarter later on. To the lot and even that's very understated, it's conservative because we'll be taking a lot of companies public at significant premiums of what they're carried in our books.

So Fairfax India and India is going to be a tremendous place to put money and we are expecting to put a lot more money over time. And there is a lot of good things happening there, more in person with chairman who is really the CEO and done a fantastic job running this company with (inaudible) as a management team of Fairbridge and Gopal of course working here who used to be at ICICI Lombard investment guy, fantastic track record we are really happy with them. Next slide.

So, here is our investment, not a long-term strength of Fairfax, this is the team that we have. It's basically very flat and we've got a next-generation, which is Wade Burton and Lawrence Chin. You can see the experience -- Wade has been with us for 12 years. And they're looking after the different areas that we've allocated money managers are empowered like -- HF wear and you could see them there.

Big, big strength. And all based on a value oriented philosophy and a long-term outlook. So a huge, huge strength. Roger, Brian, Chandran[ph] we worked together for a long, long time and we're having a ball working with these younger -- these younger people. Next slide, please. This is an interesting slide because it's our long-term strength of Fairfax is our track. We've had a terrific track record from the time we started, but you can see, and you can see the white bar is the book value growth and book value growth went up to 478, we pay a dividend of $10 but the stock price that's why I said it was ridiculously cheap and I bought some. We made an investment of in -- that we disclosed about $500 million and our total return swap and we think Fairfax is I use the word ridiculously cheap as less cheap now but things have improved so significantly and will improve and that's the future that I think the best is yet to come.

Lots of opportunity Fairfax. Next please -- next slide if you don't mind. So then last few slides I have for you is on the speculation in the financial markets. So I talked about this in the annual report, you can see it the (inaudible) that were like 10 of them you can see them there and see what happened between February, like say March 2000 and December 2002, I think about three years, say, and you can see the devastation in that time period.

The NASDAQ dropped about 80% and all kind of companies went bankrupt. These 10 companies take, Microsoft, Oracle, and IBM, we're the only ones that today are selling at a higher price than they were selling in 2000 and Microsoft took 16 years, that's 16 years before it hit the price that it hit in 2000. You can see the price-earnings ratio 90 times on average S&P 500 about 27 and if you go into the next slide today speculation in the financial markets today. So you got the (inaudible) Microsoft again and Microsoft has got a fantastic record, I must say and but it's selling at the, you can see the price earnings ratios particularly Amazon and Netflix terrific companies. These are all very good companies, not unlike the ones that were in 2000. These are all the big companies, and then the question is see how well they have done in the last five years, 300% versus the S&P, which went up by 100% and these are now accounting for 25% or 26% of the standard employees, five companies are accounting for a big percentage. Really good companies, question is going to continue to extrapolate that. And so from pretty Brown, it was already -- they've been doing value investing for 101 years and these tables are from them. We think it's not going to be pretty, particularly for the smaller companies, which don't have the financials like these one have. So if you go on to the next slide.

So here is Tesla which has been a terrific company in terms of revolutionized electric vehicles and phenomenal success, but here is the market cap as compared to how much unit sales they do. Look at the unit sales in red on the right pie chart. It is a pie chart that one of the investment counsels put out. We got Toyota next to them, we have got General Motors on the other side, we got Volkswagen and these guys are all producing electric vehicles.

And so it's left to be seen. But this is the type and this is Tesla of course. You've got Zoom media and as I pointed out we had $130 billion I think that market cap was at $3 billion in sales, $3 billion in revenues. We don't think not sure. First of all, we don't have any investments in them. But we don't think it will be pretty ending whenever it ends. The next slide, please.

This shows you the housing bubble what happens these -- this chart is just to say bubbles burst. Economics is important. The fundamentals are important and you can't go for long without the fundamentals. Next slide, please.

So this just shows you in 2000, there is a bifurcated market today. There is a market that's technology growth areas that being valued at really high prices. And then there is the -- the run of the mill of companies, that are good companies, but are selling the value-oriented stocks and are selling at reasonable prices.

In 2002, see what happened and Fairfax equity portfolios went up 25%, but in that three-year time period the markets all drop. Thats 1999 to 2002, markets all dropped by 45% to 50% where ever you look. We went up 100% because of value investing and we think that we look at the companies that we have, we look at Atlas and I'll be happy to answer your questions. Atlas and Stelco and others that we have, when we say they've got a long ways to go, Eurobank long ways to go, and so the markets might come down but we think our investment portfolio is in very good shape.

Next slide. This just shows you the treasury rates. Just wanted to show you the long-term treasury rates. Roger, Brian, do you remember the 1980s -- and 1981-82, 14%-15% interest rates, you couldn't -- most people thought inflation would never come down. And most people thought interest rates wouldn't come down. And 40 years later, you have the opposite, most people think inflation will never go up and interest rates are highly unlikely to go up. And pretty smart people making that point. And we just think there's so much of demand, so much of fiscal stimulus and monetary stimulus so that it perhaps is only a question of time before inflation picks up -- begun to pick up a little, and interest rates go up. The big risk today is bonds. Bonds have no margin of safety, it goes up 100 basis points, as I said in our annual report, you lose depending on your term, you lose anywhere between 15% to 30%, 400 basis points only and that's long ways from where it used to be.

Next slide, please. So then -- and this is going to end with two slides. One, this is something that I really love showing you and I want to show others as business can be a force for good. Over 35 years, we have cumulative premiums of $1.75 million, that's gross premium. After reinsurance, we get net premiums and we paid $95 billion of claims. So our customers benefited by $95 billion over that time period. That's providing service to our customers. We -- our employees, $1.8 billion to our employees all over the world. Donations, since we began $230 million and now we're making $23 million, $25 million, $30 million every year. Pretax, we have paid taxes to the government, governments' benefit $3 billion-plus in taxes. And of course, for our shareholders, we grew book value by 18.7%, which is what we control since inception. And so I just think all over the world when I see a country that's business-friendly, and India has become business-friendly, Greece has become business-friendly. That's why we think these countries are going to benefit greatly. North America of course, has been business-friendly. The United States being the star, in spite of changes in government has been very, business-friendly.

Next slide. And this is the second last slide, just to show you that we continue -- this is -- since we began, we started with 5 million, we issued 23 million, you can see 29 million we issued, we bought 6.5 million. We have bought 1.8 million recently. We'll continue to buy our shares. Not at the expense of our financial position, not at the expense of making sure our insurance companies can take advantage of the hard market. But our excess capital will be going to buy stock.

And our final slide is the one that we've had -- we always had meetings like this, which is to say our guiding principles, we are building on financial strength for the next decade. We think we're in great shape. Our guiding principles have remained intact, our performance is good, not recently but long-term. Our strengths are very good both in the operating companies and the investment management side, but it's buttressed. The foundation is a fair and friendly Fairfax culture, it's a wonderful culture, people feel very comfortable with it and it's the reason why we'll last for a long time.

So with that, I would -- I'm going to open it up now for questions. And we have Jeff Stacey and Jeff Fenwick, who have done this before for us and we really appreciate both of them taking time out of their schedules to join us in this meeting. And if you have any questions, send it to them and any question is fine and we'd be happy to answer it. And we'll have Andy Barnard with us, we'll have Peter Clarke with us also, our Chief Operating Officer; and Jen Allen, our Chief Financial Officer.

So why don't we start with the first one, over to you, Jeff.

## Questions And Answers

### Q - Jeffrey Stacey {BIO 15072600 <GO>}

Thank you. Prem, and good morning to everyone participating in today's virtual meeting. Before we get started, I just wanted to remind you about how to submit a question during the meeting. (Operator Instructions). Jeff Fenwick and I will try to get to as many of your questions as we can in the time we have.

So with that, on to the questions. Prem, first and foremost, Fairfax is an insurance underwriter, would you discuss the current environment for insurance and reinsurance markets?

### A - Prem Watsa {BIO 1433188 <GO>}

Thank you very much, Jeff. That's a key question. We are in the insurance business, and I gave you a sense for it. But why not pass it on to the fellow who is a charge of all our insurance businesses, Andy Barnard.

### A - Andrew A. Barnard {BIO 4015704 <GO>}

Thank you, Prem. And good morning, everyone. Our underwriting operations at Fairfax are in great shape. Last year we produced an overall combined ratio of 97.8%, as Prem showed you, and that included almost 5 points of COVID losses. Our gross premiums grew 12% in 2020 and that growth has accelerated into 2021. In our decentralized system, what matters so much is the quality of the people we have leading our companies. And as we've said for many years now, we are blessed with an exceptionally talented group of CEOs. In times like these with significant market harder main underway, the advantages of our decentralized approach shine through. While other large organizations manage through the center can often hamper their field operations ability to react, our companies are nimble and ready to grow. This is a huge benefit. Because underwriting discipline has been a hallmark at Fairfax, our companies are less struggling to fix past problems and more focused on the opportunities in front of them. Closing in on $20 billion of gross premiums worldwide, we enjoy a widely diversified portfolio, with a strong presence in hundreds of market segments. The breadth of operations is especially useful when markets are tightening and opportunities are rising.

Now I'd like to ask, several of our CEOs to comment more specifically on their companies and the market conditions that they're experiencing. And for that let's start with Brian Young of Odyssey Group. Brian?

## A - Brian Young {BIO 22156943 <GO>}

Thank you, Andy. 2020 was a terrific year for Odyssey. I've been running the company now for 10 years. And in many ways, it was the most rewarding. I really have to thank my team, my managers, the employees that work for them for doing a fantastic job, all the time, but especially in 2020, as we navigated through the pandemic. At Odyssey, we're all about underwriting profitability. We're in the business to make an underwriting profit, not just every now and then or most of the time but always. Sometimes we won't insurance, reinsurances of all of the business, but we've been hugely successful at it. Over the last nine years, we've made an underwriting profit in each of the last nine years. And over that period of time, we generated nearly just about $2 billion of underwriting profit, at a combined ratio of 91% over the period. In 2020 our combined ratio was just under 96% on a US GAAP basis. On a IFRS basis, it was a point less, and that's generated $150 million of underwriting profit. I should mention in a year in which most of our peers generated underwriting losses, our combined ratio in 2020 was 8 points better than our industry peers group and we're very proud about that. The market is hardening and has been for quite some time. I mean rate started to change in the insurance markets, particularly in the US, and London, in Bermuda in late '17, early '18. Things speeded up in 2019 and they accelerated further in 2020. And we've taken advantage of those improving market conditions.

In 2020, Odyssey wrote USD4.4 billion in premium that was up 16% on the prior year and 60% over the prior three years. And the first quarter of 2021, we've gotten off to a fantastic start, our volume will be up more than 20% in 2021. As we look forward in terms of market conditions, while we had seen fantastic market conditions, particularly in insurance lines, less so in reinsurance, the last three years, and we expect to continue to see excellent market conditions. The rate acceleration is slowing. Where we may have gotten 20% or 30% rate increases in a certain business segment, we're expecting rate increases more in the 10% to 20% range, still attractive, still excess of loss cost trends, still expanding of margins and so we feel good about the business. Our appetite has increased.

Just a reminder, Odyssey, today we're global reinsurance business operating through Odyssey Re. And we have a specialty insurance business in the US operating through Hudson, and internationally through Newline. Of the USD4.4 billion, we write today 50% is in reinsurance and we operate through 19 profit centers out of Odyssey Re around the world. The combination of Hudson and Newline is USD2.2 billion. Hudson has nine profit centers and Newline has seven. So we have 35 profit centers around the world. We have tremendous diversification. Our network is extensive both in terms of geography, but in terms of distribution. And so where we see opportunity in the market, we've really taken advantage of that and we'll continue to take advantage of that in a disciplined way. Where things aren't working, we are asking our underwriters to put their pens down. But where we see opportunity like we do today, we're looking to grow the business. If you ask me, what was the biggest challenge we face during 2021? It's not really the business, again, we remain very bullish on our business, it really is getting people back to work, as quickly as we can. While we have thrived in the pandemic, we are a business whose culture thrives in an office environment. We made it through 2020 because of our culture and we were a team-oriented business, and we want to carry that through and we think it's important to get our people back to the office, as soon as we can safely. And we're hoping we can do it in the months ahead.

Thanks, Andy.



## A - Andrew A. Barnard {BIO 4015704 <GO>}

That's great. Now, let's move to Lou Iglesias of Allied World. Lou?

## A - Lou Iglesias {BIO 17604630 <GO>}

Thank you, Andy. And I wish I could be with everybody personally right now, talking to everyone together. Hopefully, that time will come soon. Well, in contrast to Odyssey's mix, we're much heavier on the insurance side, we're 80% insurance, and 20% reinsurance. And while we faced many challenges in 2020 from the global pandemic, it was very important for us to stay extremely focused on the marketplace, because we really do feel that this is our time in the marketplace, and where we're positioned, how the market is running in the products and geographies that we have. So it's very important that we stayed very focused. And we had a successful year in 2020.

Just to give some metrics, our combined ratio came in at 95.4% and we grew the company just slightly over 20%. And that's USD800 million of growth over 2019 and it was very broad-based growth. So if you looked across our products and our geographies, we have 43 global divisions worldwide, and 80% of those divisions showed growth in 2020. And that's the type of growth that we'd like to see diversified across market. And of course, the areas and the products that had the best market opportunities were the ones that grew the most. So our global Professional Lines business, our D&O, our E&O. Our global Casualty business, Property business, and more locally, our US Environmental business, our Healthcare business in Asia and Europe, our Commercial business in Europe all showed strong growth and very, very good market opportunities. So we finished the year in 2020 at USD4.6 billion of top-line. And to put that in perspective, that's 53% growth over the end of 2017, which is the year that Fairfax acquired Allied World.

Now, Andy, and Brian and Prem all talked about market conditions being strong and they are strong. I mean, that's really what gives us our desire to grow. The cycle continues to curve upwards into the hard market in the markets that we're in. So we're seeing that market curve upwards. And the other thing that we're seeing is based on what we've seen in the first quarter of 2021, we're certainly not at the top of that market. So we feel like we have more room to run here. And our growth that we've seen has been largely rate-based growth, as opposed to exposure-based growth. In other words, as opposed to adding risk to the company. And of course, we've done some of that because we are -- we do like some of the markets that we're in, but our growth has been largely rate-based. In 2020, as a company we achieved rate increases over 25%, which consistently led our peer group. And so this type of growth we think is very healthy. It helps to limit the volatility in our company. It helps to improve our overall risk profile, and we also feel like we're putting on good quality IBNR reserves this type marketplace.

And the market has been -- Brian has mentioned, the market has been moving in this direction for some time. Again, I would say, shortly after 2017 was over, shortly after Fairfax -- we became part of the Fairfax family, we sort of seen the market moving up in several of our products. In 2020, we saw a material strengthening. Of course, some of that due to COVID and the uncertainties around COVID. But not only that, there were many factors in the market right now that are pushing in upwards. And so some of those include, and we're coming off a drawn-out soft market, and so there is a need for rate in many products, there's been claims inflation, there is low-interest rates, there's been a number of large cat losses. But a couple of things have been a little bit different and one of those is we've had many unexpected losses, unmodeled losses such as COVID, such as wildfires, such as convective storms, the Texas winter storm, right. So these unmodeled, unexpected losses into the marketplace helped to drive the market upward, I think even more than some of the other things that I mentioned. And the key to be able to handle these is to be ready, have a strong balance sheet, strong underwriting, strong IBNR and then you could handle the unexpected types of losses when they come along.

But I'd say one of the characteristics of this market, that has been especially important to us, has been a -- we've seen a global contraction of capacity in the marketplace. So in other words, many carriers in the soft market found themselves over lines in areas, and there is -- for the past year-and-a-half there has been a big supply crunch. And when you bring supply out of the marketplace, any marketplace, generally prices go up. And so, an example of this would be a company may have had a USD100 million line out on a client and they pull it back to USD10 million. Well, that opens up a big gap and we've been going in and filling those needs for our clients in what is a hard marketplace for that type of activity. So let me finish up the market discussion by just saying, this is a different type of hard market. Traditionally what we're more used to is a market hardening based on the reinsurance industry tightening up, pulling the direct market along or lack of capital pulling the direct market alone. Well there is a capital and this market has not been led by the reinsurance industry. It's really led by the direct marketplace, it's a grassroots market hardening. And I think when that happens in my view anyway, I would feel like it's a less cyclical market and I think, that there is likely a little bit more time for this market to run.

Well, let me finish by just saying how proud I am of all the people at Allied World. We faced 2020, it was a global crisis, the team is very professional, very committed. We all went remote and we didn't skip a beat and we have a wonderful team in Allied World. And one of the key things was during the crisis, we also had all this opportunity and the team recognize that. And so we didn't lose the opportunity because of the prices and we're not going to and we're committed to moving forward with all that focus.

So, Andy, I'll stop there and I'll turn it back over to you. Thank you.

## A - Andrew A. Barnard {BIO 4015704 <GO>}

Fantastic Lou, well let's ask Matthew Wilson of Brit to offer some of his thoughts. Matthew?

## A - Matthew Wilson {BIO 20611990 <GO>}

Well thanks, Andy, and good morning from the UK. Well underwriting conditions in the Lloyd's market are currently very strong indeed and certainly the best so that been. And I heard decade, we've seen compound rate increases in excess of 30% since 2018 and we've also seen a fall in our attritional loss ratio for the fourth consecutive year. That said, we must recognize as Prem mentioned, the start with 2020, was a challenging year for Lloyd's and for Brit principally driven by the COVID loss activity.

Lloyd's ultimate gross COVID losses is estimated at over $8 billion and as 5% of the Lloyd's market, but therefore was not immune from those losses. We had net COVID losses of $217 million which was the equivalent of 16 points on our combined ratio. And the greatest proportion of those by far emanated from contingency insurance and reinsurance. And for those of you not familiar with that that's the cancellation of abandonment of sporting events and conferences globally. And as a specialty market in particular Lloyd's does have a disproportionate share of that class of business.

The underlying result however was much more encouraging and the attritional loss ratio as I said fell for the fourth consecutive year to a respectable 52%. And our ex-COVID combined ratio was 2% better than Lloyd's and actually that's the fifth consecutive year of outperformance of the Lloyd's market. We grew our premium to $2.4 billion from $2.2 billion growing our net earned premium by over 8% in '20 over 2019, through that period to put it in context from 2018 to 2020, the Lloyd's market has remained flat as addressed it's global underperformance that means that with our 20% growth over that period, we actually became the second largest major agency in Lloyd's showing that we are taking advantage of this hardening market.

Rates as I said, continue to strengthen and we saw 10.6% of rate increase in 2020 and for the first quarter of 2021 that's continued with a further 8.6% of rates and our attritional actually for the first quarter hit 48%, which equals the lowest attritional loss ratio that Brit's had in the last decade. Undoubtedly, for us the most exciting development in 2020 also the creation of Key. As Prem said he is the first fully digital, an algorithmically underwritten syndicate in Lloyd's. We developed as a collaboration between Brit, Google Cloud and the University College London, and we worked with the Google Cloud engineers to build of front and web-based platform. So the brokers can actually access our business and you see it on the one of the world's preeminent academics and the design of algorithms for use in the financial markets.

And those algorithms, we're using within the system to select risk. I think it's important to say that whilst it was a collaboration Brit and Ki own all of the IP going forward in the system. We became operational on the 1st of January for 2021. And pleased to say that we've already written $180 million of gross written premium as at the 1st of April. Now Blackstone have invested alongside Ki, sorry alongside Fairfax and Ki, and that's the first time the Blackstone of ever invested in the Lloyd's market.

The scale we think the Ki will have an operating expense ratio of one-third of the average Lloyd's Syndicate and that equates to a 10% combined ratio advantage over our peers. And that's before any out performance potential of the algorithm. So we really believe the Ki can disrupts the $50 billion Lloyd's marketplace. And it was the largest tech startup in the UK in 2020, which we believe can therefore take a significant market share, coupled with a significant outperformance as we move forward.

In finishing, I'd just like to say that I mean, my view is that any culture is exhibited not in the best of times, but under extreme pressure. Our people at Brit work in one of the last face to face trading environments globally. But since working from home within a 24-hour period, it's work seamlessly since March 2020 and we've been singled out by multiple brokers for our service excellence to clients.

So I'd like to thank everyone at Brit for remaining focused and despite the pressures not diverting from our overall ambitions. Thanks, Andy.

## A - Andrew A. Barnard {BIO 4015704 <GO>}

Thank you very much, Matthew. And now, let's turn it over to Silvy Wright, the CEO of Northbridge. Silvy.

## A - Silvy Wright {BIO 7455591 <GO>}

Thank you, Andy, and hello everyone. I'm very happy to provide you with Canadian perspective into our market, as well as Northbridge, although we do have some common messages, I'll start with the market conditions. 2020 market conditions were very firm in Canada. And the reasons for that were one prior year underwriting results were not great. We had inadequate pricing in some segments we've had increased weather catastrophes over the last five years in particular. Some markets had pulled out of unprofitable lines.

And in addition there has been a low interest yield environment which puts pressure on improving the underwriting profits. Although the commercial lines market was very firm, it was a really different picture for personal lines in particularly the Auto. With the lockdowns here in Canada, we started to experience a decrease in Auto claims and because of that the personal auto rates were not increased. And in fact, insurance companies provided premium relief and rebates.

From a Northbridge perspective, we had a very good 2020. We are the third largest commercial lines insurer in Canada and we wrote $2.3 billion in premium in 2020, a 15% increase over 2019 and that compares to the industry that grew 7% for the same period. We had a 92% combined ratio, which is a very strong year, and we're very proud of our customer retention ratio, which was 91%. Like all our sister companies, we've been operating remotely since March 2020 and as Prem said we haven't missed the beat. We have successfully supported our customers and I want to extend a huge thank you to all our employees that make that happen.

Looking at 2021, we expect the commercial lines market to continue to be firm and the personal lines auto will of course be impacted by the continued lockdowns here in Canada. We are very optimistic about 2021 and our focus on delivering exemplary customer service and our underwriting discipline. We have started 2021 with a very strong first quarter.

So with that, Prem. I'll hand it back over to you. Thank you.

## A - Prem Watsa {BIO 1433188 <GO>}

Hey, thank you very much Silvy. Now we will pass it on. And thank you Andy, you can see we've got very strong management. We selected a few just to give you a sense for the stability in our management team and the hardened veterans, they know how to take advantage of a hard market and then grow significantly and we're delighted to show that to you and thanks Andy for setting all that up.

We will go on to Jeff Fenwick for the next question, Jeff.

## Q - Jeff Fenwick {BIO 15350794 <GO>}

Hi Prem. Thank you and good morning everybody. Prem, the first question from the investor -- one of the investors is with respect to Fairfax's investments in total return swaps. He's hoping that you could comment on the performance over the last year, some of the gains and losses and perhaps comment on the decision to build a large notional value position in Fairfax's own stock and what the plan is for that investment.

## A - Prem Watsa {BIO 1433188 <GO>}

Thank you, Jeff. Yes. So we have some small exposure to total return swaps when we see some special opportunities, very marketable and mostly we buy it in our insurance companies, so the liquidity is very, very significant there. And we bought some -- in March and we've reduced it quite significantly. But, so it's a very small portion of our investment portfolio.

We used to some of that in the holding company, we did buy some of that, as I said earlier, because we thought Fairfax was exceptionally cheap. And so we took the opportunity to buy some Fairfax shares, now which I think have gone up by about $100 since we bought it in US dollars and we are quite happy with that -- with those shares that we bought, we think it will be a really good investment over the next four, five years. Thank you, Jeff. Can I pass it on to Jeff Stacey.

## Q - Jeffrey Stacey {BIO 15072600 <GO>}

Prem a question about digit insurance. Fairfax current ownership stake in digit is 49% as of the end of the year, but the company has indicated that it can increase this to 74% upon conversion of the convertible preferred security when permitted by the recent Indian budget. There was a recent funding round four digit earlier this year, where the valuation was reported to be $1.4 billion excuse me $1.9 billion. So the question that came in, is it Fairfax's ownership increases to 74% and we use this recent valuation, it would suggest that the fair market value of digit would be closer to $1.4 billion versus the current carrying value of $517 million at the end of the year, is that a reasonable inference to make, and would Fairfax consider an IPO for digit in 2021 that could potentially monetize the significant unrealized gains.

## A - Prem Watsa {BIO 1433188 <GO>}

So, Jeff. That's a very good question. First of all Digit is an outstanding company that Kamesh is the entrepreneur, he built the second largest company, we built the first one which is ICICI Lombard, he built with terrific competitor building Allianz Bajaj. He was the guy who built that and then he spent another 17 years in total with Allianz the last six, seven, eight years in Munich. And but then he wanted to do something entrepreneurial and he came to us and but four years ago and from scratch, he build a company with about 2000 employees, $400 million plus and premiums, at the end of March 2021 the year ending.

And he is profitable. Underwriting, as I told you, his combined ratio in the Annual Report was 113%, but he is profitable. Just before I answer your question here is how Kamesh looks at it and I think it's right on.

India's insurance business, property casualty they call it non-life is about $25 billion. The next ten years he thinks 15% growth, it will grow to about $100 billion, which is not unreasonable and his aim from $500 million is to have 5% of that $100 million. So it's about $5 billion, so that's the growth opportunity that's facing the property casualty business in India and that's facing Digit in particular. And that's one of the reasons we went into the business because we saw this opportunity, huge opportunity. Now Digit is that we are fortunate that the government has changed the rules and allow us to go to 74% which we can do to convertible as you mentioned. It's valued at in our books on a 100% level at $900 million -- be that was $28 million that was down that Jeff $28 million was down at I think $1.9 billion, as you said. And so that's a significant increase, but we haven't reflected that and it's not going to be reflected there because it was a small amount of money, some private equity guys wanted to do it, put the money in.

In terms of an IPO and possibilities of course we look at that there is a significant amount of growth opportunity in Digit and our own companies are going to benefit from that, has that Digit as you -- some of you may know, is totally Digital, there is no paper at all, they started that totally Digital.

And so the possibilities are huge and our growing under-penetrated market in India that Digit will grow significantly, but we always look at possibilities and you know, the Indian government has taken out restrictions Jeff on Indian companies, accessing the US markets. So you can list in US markets, but they haven't worked out all the details yet. And the throws of working out the details.

But we've got a wonderful story in Digit as we have in all our companies. I mean, I told you, Jeff that in our Annual Report that Odyssey started with about $250 million and you heard Brian Young $4.5 billion and growing over 25 years and they're coming out with a book and that will be in the summer. And then we'll share with all our shareholders a copy of that book next year when we all meet together. But we've got tremendous talent like Kamesh, or all across all our insurance companies. We got, as I said $23 million in the consolidated area and another five in the -- which is not consolidated but Kamesh is a great example of what a wonderful leader can do, and the opportunity is huge. And we'll keep our options nice and open.

So Jeff Fenwick next question

## Q - Jeff Fenwick {BIO 15350794 <GO>}

Thanks Prem. The next question comes from a long-term shareholder who is asking about balance sheet leverage. He notes that there often comparisons between Fairfax and firms like Berkshire or Hathaway and Markel. These firms tend to run with lower relative leverage levels, his thinking is the perhaps that would make the stocks less volatile through challenging periods. And the question is through challenging periods. And the question is whether Fairfax might look in time to lower its leverage level?

## A - Prem Watsa {BIO 1433188 <GO>}

Yes. So, Jeff, in terms of leverage, our leverage is on the high side. Once we do this -- the RiverStone sale, once that takes place, and they always will, leverage will start coming down quite significantly. And then, of course, all of these are increases the USD875 million, the USD1 billion is not reflected in our balance sheet, because of the accounting. That will all have an impact, but over time we see our leverage ratio coming down significantly. Last few years we haven't -- our profitability hasn't been high. And so that's impacted our leverage too. But having said all of that, our financial position is rock solid. I'm very comfortable with our financial position. The fact that we have no maturities in three years, we access the Canadian bond market, as you know, Jeff, we access the US wine market. We've never had such support in Canada or the United States, wide range of bond managers and institutions in both countries have supported us. And so, we just see over time, our leverage coming down. And, therefore -- and we're very much focused on that over time.

And next question, Jeff Stacey.

## Q - Jeffrey Stacey {BIO 15072600 <GO>}

Prem, we've had some questions come in about...

## A - Prem Watsa {BIO 1433188 <GO>}

A little louder, Jeff.

## Q - Jeffrey Stacey {BIO 15072600 <GO>}

We have some questions come in about Farmers Edge and Boat Rocker Media. As you alluded to in your presentation, both of those companies completed IPOs during the first quarter. I'm just wondering if you could comment on the accounting treatment for these two positions and whether Fairfax will be booking an accounting adjustment in its first-quarter results?

## A - Prem Watsa {BIO 1433188 <GO>}

Yes. So, first of all, on Farmers Edge and Boat Rocker, we nurtured both those companies for four, five years. In the case of Farmers Edge, they have quite a few losses and the way when you consolidated -- when you consolidate these company the losses flow into our income statement, balance sheet and our carrying values go down. And today, in both cases, as I said before, the companies have gone public, raised money in the public markets and financially they've got USD100 million, they've got no debt and they are highly unlikely to need any support from Fairfax, both companies, and the opportunities are very significant. In terms of the carrying values in Farmers Edge will be down and the market price -- the IPO will be quite significantly higher. And so, there'll be some gain. But on both those companies we'll -- in two weeks you'll find out when our quarter comes out -- as soon as our quarter comes out, you will find the details on it. But there will be some gains, given that we've taken them public. But the important thing, Jeff, is we've nurtured two companies, we take the cost for four, five years, and now we're seeing the benefits and you're going to see the benefits over time because both companies are really in good financial shape, great management team and we think the opportunity is very significant in the long-term in both those companies.

Jeff Fenwick?

## Q - Jeff Fenwick {BIO 15350794 <GO>}

Thank you. The next question is with respect to Atlas and Eurobank and Fairfax's investment in those firms. Those are very large positions for Fairfax. Are you concerned about the exposure there? And is there any intention in time to take those positions...

## A - Prem Watsa {BIO 1433188 <GO>}

Sorry, a little louder. Jeff. I'm sorry.

## Q - Jeff Fenwick {BIO 15350794 <GO>}

Just with respect to Atlas and Eurobank would Fairfax ever look to reduce its exposures there, given how large those investments are?

## A - Prem Watsa {BIO 1433188 <GO>}

Yes. So, they are two very large positions, as you point out, that's why I'm quite excited. Now, you look at Atlas, Atlas was at USD14 a share in '19. In March, it goes down to USD6.5, USD7, closes the year at USD11 and it's back to USD14. But what does this company do? They of course, are in the container ship business. In 2020, they have reduced their costs, they are the best on-time delivery, safety is fantastic. And then late in the year, they get the opportunity because the shipping yards have no orders. So they go into the shipping yards in Korea, and Japan and Shanghai, China and they give them -- they got a great cost to build new ships, the latest container ships that you could see, large container ships. Container ship leasing prices are through the roof, so they go and lock them up for five years, 10 years and in some cases 18 years. And so if you take USD100 million -- the cash-on-cash yield is about 8%, so if you take USD100 million ship, one ship, and they get a cash-on-cash on 8%, leasing less the cost, that's about USD8 million and then they able to finance it about 8%. And the way you end up, when you take after financing cost on their own equity, it works out to about 15%, maybe 20% and may be higher. And what they've done is they have expanded in the last few months, their capacity by 45%, I talked about that. And what that means is that earnings per share, it's sort of a USD1. The next few years going to be USD2 a share and their free cash flow could be even more significant. So this is one by a fellow by the name of David Sokol, he's got a tremendous track record at Berkshire Hathaway, and then as CEO of Bing Chen. So we expect that to be very significant, it's marketable, very significant performer for us.

The Eurobank is a bank-- there is another company that started at $0.90 at the end of -- somewhere at about $0.90 at the end of '19, went on to the low might be $0.26, $0.30 -- below $0.30 in 2020, is back to about $0.80 today. Its book value is about a $1.35 this year, next year went $1.50. They're making $0.10 this year and $0.15 next year. And Greece has got the best government in Europe, we've said that for some time, very business-friendly government. Transforming how Greece is governed. And I think Eurobank run by Fokion and George Chryssikos will benefit greatly. Fokion is a CEO, and they have already reduced their non-performing loans to below 10% and next year to about 6% I think. And so you can -- and they're big positions for us. So at $0.80 as ROIC, but if you think it will go to book value, and perhaps higher then you can see how much gain we could get. We have to think 1.2 billion shares of -- because it's below $1, so there are lots of shares, 1.2 billion shares in Eurobank.

So both those are big positions, but great management team and I can go into Stelco and all the CIB bank in Egypt, outstanding bank in Egypt and on and on and on. But we have wonderful positions and we've been in the investment business for a long time, 45 years. Roger, Brian, Chandran and myself we have all worked together for long time, and now Wade Burton and Lawrence, they're managing a $1.5 billion. They've done so well, as I said in the Annual Report, we're giving them another $1.5 billion and they will continue over time, so that Wade and Lawrence can manage a large amount of money. And of course, a lot of our Asian money is managed by Yi Sang and on and on, and on. So -- and diverting a little, but yeah, those large positions we like, but they're marketable and salable at any time. Jeff Stacey?

## Q - Jeffrey Stacey {BIO 15072600 <GO>}

Prem, We've also had a number of questions come in about BlackBerry, could you tell us about your BlackBerry position? Did you sell, when the share price went up? And if you did not sell, why not?

## A - Prem Watsa {BIO 1433188 <GO>}

Thank you, Jeff. I think many, many people have asked that question and we weren't in a position as an insider to respond. But now I can respond, by saying that the convertible that we had, which is convertible at $10 a share, in September of last year, the conversion price went down to $6 a share, to extend the term for another three years. And the SEC rules, short swing rule it's called, is that once you do that, it's considered to be a new security. And so for six months, you're forbidden to transact in the shares of the company. And if you do, all the profit goes to the company. And we looked at it hard, we checked all the rules, but they were very specific. And so basically, we were locked out as a company till March 1. This doesn't restrict individuals, it restricts the company because we had a convertible -- that it was a new security. And so, it was after March 1st that we would like to sell. The stock was down to below $10 by that time. And so we basically didn't sell. Our cost, all-in costs, everything included is about that price, $10 a share. So to date, BlackBerry hasn't been a great investment for us.

We still back, John Chen, we think is an exceptional executive and his track record speaks for itself. And we think over time, we'll see what he could achieve. He's got two big pieces that I talked about, the connected cars joint venture with Amazon as one piece. And the second is cybersecurity and Cylance. And so he is focused on both those pieces. They are both growth opportunities and -- but we could not -- we did not sell, we were not allowed to sell, and after we were allowed to sell, the stock price had gone down. Jeff Fenwick?

## Q - Jeff Fenwick {BIO 15350794 <GO>}

Next question is with respect to Fairfax's large cash position at the HoldCo. And, Prem, the investor is asking, why not take some of that cash and buyback Fairfax's shares?

## A - Prem Watsa {BIO 1433188 <GO>}

Yes. So that, Jeff, as you know, that's cash in the insurance companies. And we've got a large amount of cash. The only way you can buy back stock is if you could dividend that stock back to the holding company. So you move the stock positions to the holding company and you move the cash to the holding company and then dividend, and then you could use that. And we want to keep the cash, of course, at the insurance companies right now, we don't want to reduce capital. If you dividend it out, you'll reduce capital and the opportunity as our CEOs, and Brian, and Lou, and Silvy and Matthew made the point to you, the opportunity is in the insurance business. It's hard market, doesn't last for long, and it comes once in a long time. And so we are taking advantage of that, building our business. And then we will always look at buying back our stock keeping our financial position solid and making sure we support our insurance companies, as I said before,and then using excess cash to buy back our stock. But that's certainly in our minds and we don't see a lot of opportunity in terms of buying insurance companies because we've done that. We've got very large-scale business now. Jeff Stacey?

## Q - Jeffrey Stacey {BIO 15072600 <GO>}

Prem, you alluded in your presentation to RiverStone Europe, the pending transaction. Can you provide an update when you expect the RiverStone Europe transaction to close?

## A - Prem Watsa {BIO 1433188 <GO>}

Yeah. Thank you, Jeff. The RiverStone Europe was basically subject to regulatory approvals. So, it goes to -- anytime you do an insurance deal any place in the world, because it's regulated, change of ownership goes to -- in the UK, in London, it's the PRA, it goes to the regulatory body and they do all of that checking and make sure it's acceptable. So it's in that process. We think somewhere before the end of the second quarter, you can never predict these things, Jeff. But we take before the end of the second quarter it should be done. Jeff Fenwick?

## Q - Jeff Fenwick {BIO 15350794 <GO>}

The next question is with respect to COVID's -- Fairfax's COVID exposures. Prem, do you believe that Fairfax is now well reserved against any future claims? Is there anything here that could hold back performance going forward with respect to COVID?

## A - Prem Watsa {BIO 1433188 <GO>}

Yes, Jeff, it's a live cat. You know what that means. That means there is still exposures there. But we've got -- of that $669 million I think that we put in, at the end of 2020 in all our companies, 50% is IBNR, which means is incurred, but not reported. So it's like a reserve that we put in, and we've taken the case of Bret a lot of cancellation insurance for 2021. So if anything comes along in 2021, we don't think it will be significant because we provided for it, but we could have some movement here and there but it is -- the business interruption is continuing in some parts of the world, if not in the United States contracts are very clear there, but in other parts of the world they continue.

So we feel comfortable, but you know you always have to be careful with reserving but our records good and are conservative. So we feel good.

Jeff Stacey?

## Q - Jeffrey Stacey {BIO 15072600 <GO>}

Prem, question about the bond portfolio, long-term interest rates have moved higher recently. Is this move enough to tempt you to increase the duration of the overall bond portfolio?

## A - Prem Watsa {BIO 1433188 <GO>}

Unfortunately, no Jeff, I showed you the chart is just the bottom for the 10-year rate in the United States like all time even in the depression of the 1920s, it never went. There was a half a percent sometime in August, I think, of 2020, it's now come up to 1.6%, 1.65%, but it still hasn't really come back to the pre-COVID levels and 2% for 10-year bonds is very low inflation that was reported yesterday, a couple of days ago was 2.5% something like that. And that number might go up price of commodities are high, steel prices are high, any type of price that you see is high. They usually get passed on to in terms of consumer prices.

So as I say the big risk we think is in the bond market, there is no margin of safety. And so we think that you could have a variant of COVID 19 which shuts down the economies again, which will get these rates could go down because of that or there might be people might not spend. There's a lot of money on the sidelines. People have high savings rates in the United States and Canada. They may not spend when you're opening up. They might as the economy opens up they might use it to pay down debt. So you got that possibility, but we think the smaller likely hoods most likely as people would spend and as the economy comes back there will be pent-up demand to go to restaurants, to fly anywhere in holidays, and once you feel comfortable about the vaccine and you are well protected, but there are risks in it.

We just don't think you are getting paid enough money and so we keep it five years or less anything that we're doing is five years or less.

Jeff Fenwick?

## Q - Jeff Fenwick {BIO 15350794 <GO>}

The next question is related to Fairfax's dividend. Prem investor notes that the dividend hasn't been increased in many years now. Is there any thoughts of potentially increasing it in the future?

## A - Prem Watsa {BIO 1433188 <GO>}

Not likely, Jeff, we've got it at 10 bucks, which is quite $260 million. We got $26 million shares. That's $260 million each year that goes out for the dividend, we'd like to keep it there and not kind of, and so we don't think it will. We don't think it will and it's unlikely to increase. We drive buyback stock, when we have excess capital, I think that's the best way to return capital to our shareholders. And so that's what we plan to do.

Jeff Stacey?

## Q - Jeffrey Stacey {BIO 15072600 <GO>}

Prem in the last year Fairfax has been quite active with its strategic monetization program. When you look many years into the future, do you foresee the company continuing to make controlling purchases in non-insurance businesses or is the strategy changing?

## A - Prem Watsa {BIO 1433188 <GO>}

So we bought some companies, Jeff, that were private companies and so you know where they've got private companies and they were not as successful as we are all about having great management running our companies and the insurance business, you will see what a wonderful team, we have, so is the case with our non-insurance investments and we might have deviated from that a little.

We are coming back nicely we think and will we have controlling investments and it remains we had a block of some of your long-term shareholder will remember Ridley[ph] foods feed business and 80% in 2009, I think it was 80% of shares came up from Australia, the Australian controlling shareholder. I had to sell. So they sold 80% that is something like 8 or 9 bucks per share, and six or seven years. We got, I don't know $6, $7 of dividends cumulative. And then someone came and bought it for $45 a share, and the rate of return was exceptional. So we are more focused on and we had a terrific CEO running that business. We're focused on good companies, well-financed, and available at good prices, but that I quoted (inaudible) who talked about management like I've been the business now for 45 years, if there's one thing that's key, and I explained to you in terms of Atlas, Stelco, I mean this company like Stelco is steel right - steel company in Canada, it's run by a fellow by the name of Alan Kestenbaum.

And steel prices are down and a tough pandemic. What does he do, he reduces the cost even further. He gets an iron ore contract for the next item of 10 years. Equity interest in one of the best iron ore mines and improves his blast furnace and capacity I think by 10% and the price of steel is at record levels, and he is going to make a ton of dough in the steel business, got no debt, and just an exceptional guy running it Alan Kestenbaum and we bought it at $20 a share or something like that, that went down to $4 in March.

And is now about $30 a share and so these prices go up and down they're not below, we might be excited like we are today, and our price stock have gone up and then in March we were disappointed, but it's always a long-term that counts. The value of investing is back, it's recognized and we think we're in for a long period of time. Value investing has worked for decades.

But the decade ending 2019 decade, value investing has not worked and most value investors are no longer there. Very few of us are there. And so, and we think the next ten years could be a really good period for value investing some of the companies that we have and, but there, we don't have to buy, we want to buy good companies at good prices, financially sound, We don't have to buy control where by 10% or 5%. But we are getting bigger, with $43 billion, $22 billion, and $20 billion-plus in business. So over time, we must worldwide 75% of it is in fixed income, only 25% max can be in common shares. So we think we still have an opportunity, a question that you might have is how can you make 15% in this world where there is very little interest income and because of our common stock positions.

So in 2019 we basically made 15% we have grown our book value by 15% and we had a 6.9% almost 7% return on our portfolios, but most of it came from some interest and dividend income, but a lot came from the equity positions that we have. We're trying to get 15% compounded rate of return on our equity investments. Haven't always done it, made a few mistakes in the past, but we are patient and we take a long-term view. So we think, as I said before, the best is yet to come.

Jeff Fenwick?

## Q - Jeff Fenwick {BIO 15350794 <GO>}

The next question is about Fairfax India. It continues to trade well below its book value and the investor wants to know whether Fairfax might look to increase its stake in Fairfax India or perhaps Fairfax India might look to do more significant buybacks of its own shares.

## A - Prem Watsa {BIO 1433188 <GO>}

Yes, Jeff. That's a very good question. Now that's another example. Right. So the stock is about 12.5 and I think Fairfax India has bought a ton of stock, which we have disclosed 3% or 4% of the company. So that increases indirectly all existing shareholders have a bigger share of the company and so Fairfax India will continue to do that and retire the stock because it's strategic. But that gives -- that's the reason why expect for the next -- long-term that Fairfax India share price will go up.

When staring you in the face struggling to have dollars our book value through '16, we've got IPOs that are coming through. We'll talk a little about that this afternoon and the stock is at 12.5, so why because do you know the COVID 19 India has come through a really tough time. We can see through it, we can see 11% economic growth this year in 2021 and perhaps significant economic growth in the years to come, but most people are not focused on it. There is a bank called CIB bank, it is among any of you have a chance to look at that bank it has unbelievable track record over 25 years, 20% type return on equity financially among the most sound banks in the world and very, very well managed, very risks conscious, non-performing loans covered around three or four times, and but you can buy that eight-time earnings, seven or eight times earnings.

So these things will change. This is why we have bottom up investors, we look at all these things and we just think the prospects are very good for many of the investments we've got.

Jeff Stacey?

## Q - Jeffrey Stacey {BIO 15072600 <GO>}

A question that just came in Prem is Fairfax officially out of the stock shorting business?

## A - Prem Watsa {BIO 1433188 <GO>}

Thank you for asking. You know have to make a point there, Jeff, but yeah, firstly, out of it, shorting in terms of the S&P 500, shorting in terms of individual stocks. We are not going to do that at anytime, and we put it into our investment policy documents. So there's just no way we can do it.

We had one stock that we had showed it earlier. It wasn't a new one. We just covered it in 2019 and levered that cost as I told you but yeah that's over, that episode is over, what we are looking at is like right now, lots of cash and the equity component is focused on good companies available at reasonable prices and all the time taking a long-term view and backing the management, always friendly, never untrendy, but thank you for asking that question, Jeff Stacey.

Jeff Fenwick?

## Q - Jeff Fenwick {BIO 15350794 <GO>}

Next question is about the way the management team works within Fairfax investors wondering Prem, if you're still active in the day-to-day decision-making around investments and how are the responsibilities in that team evolving?

## A - Prem Watsa {BIO 1433188 <GO>}

So like one of the fellow said it is time for you to retire but Jeff, listen I am active but I showed you the management teams that we have, right. So with the insurance business, we have a very decentralized and all of our presidents all of it comes to Andy Barnard and Peter Clarke, Chief Operating Officer.

So all of that comes in there and all the consolidation of course is Jen Allen, our Chief Financial Officer and her team. And the investment side, Wade but it looks after all of the people managing their portfolios in Asia or in Middle East or in Latin America they come all come into Wade Burton and Lawrence Chin. And Roger, myself, we managed the portfolio, some of the big, is there anything that goes up about $200 billion to $250 billion we're all involved. And we come together. But Wade then Lawrence can do what they want with the $1.5 billion they have and we're going to give them another $1.5 billion, they can manage it as they see fit.

But as a company, if we have more than $250 million that they all come together this as an investment committee to make sure we look at it. And I love the business, I love the people that are working with I like propagating our culture, which I tend to do whatever I can, and this system works out very well because we've done all our companies on the Internet and I love investing.

So, I'm very much involved. I am very involved like -- I like it, but I have -- we're a big benefit is flat structure work on a team. Andy and I have worked together for 25 years as I told you, Andy is been instrumental in our success in the insurance side. On the investment side. Brian, Roger we work together we were frightened to tell you how long we work together, 43 years, 44 years, maybe longer than that. And I've keeping counted along, but we work together then its, it's a lovely relationship. So we're really happy working together and it's a big plus, see the fact that we've all work together for such a long time is a major plus.

If you look at our insurance company, there are not too many insurance companies that would have two CEOs, Odyssey for 25 years, only two CEOs and the record is stellar, tremendous record. And so we haven't had -- we are very fortunate. We haven't had turnover, we've been able to keep our people and empower them and succession planning is all from that Company, we don't try to get someone from another Company, internally or externally. It's always from the existing, always has been to-date from the existing company. So, I'm very involved, and have no plans to retire. Jeff Fenwick. Thank you, Jeff Stacey.

## Q - Jeffrey Stacey {BIO 15072600 <GO>}

Prem, could you please provide an update about Dexterra and AGT.

## A - Prem Watsa {BIO 1433188 <GO>}

Yeah, so -- it's funny those two companies because Dexterra they have the similar Chairman Bill McFarland, who is our Lead Director, is also Chairman of Dexterra. And AGT, Dexterra the CEO is John MacCuish and they've come out and said, it's a services business as you know, and Horizon North was with modular housing.

And they've come out and said that in the next few years, they would be a $1 billion company and $100 million in EBITDA, over the next few years. And that's, -- Ki in Canada. And then overtime, it's natural business to expand in the United States. And so we're very, very optimistic about Dexterra, it's doing extremely well, disproportionate it's quarterly result.

And AGT as a company as I said before, built by Murad, he is a Saskatchewan, over the last 20 years from nothing to about $2 billion. The company is worldwide operates lentils basically but all over the world and the opportunity and now for AGT is also very, very significant because of Murad who is the Founder and the CEO, and he's got a good partner in Turkey called Hossain, they work very well together. So tremendous opportunity we think and in both those companies. Jeff Fenwick.

## Q - Jeff Fenwick {BIO 15350794 <GO>}

The next question focuses on ESG principles, ESG has become a much bigger factor for a lot of investors, when they're assessing, investing in businesses. Can you speak to how Fairfax's addressing these areas and are intends to apply it to the way that it manages its businesses.

## A - Prem Watsa {BIO 1433188 <GO>}

Yeah. So when -- I was a little surprise we looked at ESG, and Peter Clarke spearheaded the John Varnell, and Jonathan go down and others. And they came out with a really good report and I'm reading it. And it's like -- that's how we operate. We never thought any other way to do it particularly in governance and doing well by society.

We always thought about doing well and so you can do good. So the idea of 2% to our communities, which was not done by Fairfax, by the way, is done at the insurance company level. Each President does that and allocated as they see fit with their employees. So it's, and we give you every Annual Report I'd highlight some of the accountable organizations that we've supported. And it's a big plus, we want to do that and it's something that we just we've began. I don't know might have been in 91 or 92 so long time ago we decided 2%.

And then so we looked at ESG and we do all these things, remember, we don't like talking a lot about it, but we have given all of the activities with the ESG and we put that document together, put it on our website, by the way. So you can read it and gives you a nice long history of ESG, and the focus of course on I took totally B&I which is BlackNorth Initiative, making sure this is no discrimination in our companies.

Our companies I talk to people as I said, from the black community, they all very, very happy, with Fairfax and the individual subsidiaries. They feel it's a perhaps the best place worked before. So, and in terms of climate change of course we have to take that into account when we price for our hurricanes and earthquakes and all of that. And I think the point to be made that pricing is very important there. Prices are low and I don't have any protection for climate change prices are high and maybe you get paid to take the risk of potentially having more hurricanes. And so we've explained on that, Jeff. And in our website and but we'd love anyone do if you have any suggestions please let us know.

But it's a live document. So as we go forward, we'll keep adding to it, and change it, but, but that's, it's right there, now of course, it's also decentralized, that's Fairfax, so we've got a policy in place and then each of our companies will adopted and adapted as they see fit.

Next question, Jeff Stacey.

## Q - Jeffrey Stacey {BIO 15072600 <GO>}

This just came in. Do you see any negative impact to Fairfax from the proposed corporate tax rate hike in the United States.

## A - Prem Watsa {BIO 1433188 <GO>}

You know one Jeff, we'll pay, of course there'll be some negative impact, we'll pay more taxes. They're talking about 21% going to potentially 28% or 25%. So that means you will have more taxes to pay and but you know, it's a level playing field, whatever the taxes are we pay -- it's -- the United States had taxes go right up to much higher than they been now 35%.

So I think, we will manage whatever the taxes are -- but we like the fact that it was at 21%, but whatever it is, we'll manage with that. We don't think it looked like us in any significant way. Next question. Jeff Fenwick.

## Q - Jeff Fenwick {BIO 15350794 <GO>}

Next question is tied to your investment in CPI-linked derivatives, Prem, the investor asks giving your views on inflation, what do you plan to do with that portfolio of investments?

## A - Prem Watsa {BIO 1433188 <GO>}

The deflation swaps basically Jeff, yeah. So, those we had for protection the worst case, we still keep them. We haven't sold any, they are not quite a lot, but in the -- unlikely situation that deflation rears its ugly head, we will have something that protects us some, but we haven't sold any and it's like we bought insurance and the insurance wasn't needed.

Jeff Stacey.

## Q - Jeffrey Stacey {BIO 15072600 <GO>}

Question about the insurance pricing cycle and the investor asked if the insurance pricing cycle remains hard. What level of premiums do you envision Fairfax could be riding on a consolidated basis in three years?

## A - Prem Watsa {BIO 1433188 <GO>}

It's a really good question. And I can tell you what happened the last time, in -- a couple of points. First one is Odyssey, was writing about $1 billion in 2000-2001 happened, and after 2001 the next three years and these are numbers are in our annual report 2002, 2003 and 2004,

Andy Barnard took $2.5 billion, so 150% more than doubled it. And if you ask him today, he said that single decision perhaps was the key for how successful that's been because of course, you had reserve development, negative development deficiency from what we acquired.

But this amount of business was so redundant that helped us for a long-time. And so he went up, so there it -- that's a virtue cycle, so he goes up 150%. The investment portfolio was $2 billion and without basically no additional money we went up to $89 billion six, seven years later.

So the increase and from a $1 billion to $200 billion and it stayed underway and there we had some deficiencies for the past so underwriting was good, but it wasn't as good as today like now today all our companies are really well reserved, it's all business we've written. We reserved for it. And so when we go forward, you have what they call the virtue cycle. So you have -- our premiums going up, you have an underwriting profit and the reserving will become even stronger, because the pricing is going up so much.

A lot of this increases -- rate increase not new business, some of the new business also but as you have rates going up, you have underwriting profitability and then the investment float starts increasing. So we are writing about just 17% if you take that 17% that will take the $19 billion to about $22 billion in the year one. Can we grow in three years, 30% 40% 50% the breakdown, we're not small. But we have very nimble management team its not -- we don't have $19 billion in 2020. What we have is $4.5 billion with Odyssey with under Brian Young, we have about the same with low glaciers, we have -- when you go on with Matthew as you said $2.5 billion and then the Lloyd's market.

So you have all of these different very nimble operations that can take advantage of the business in the specialties. So it's a very good structure and I can't predict in the last hard market, we've doubled our business, but it was small. We doubled our business for Canada, United States all over the place. Here it will be difficult to see how much we can go. But I'd love to see some very significant growth. I'm not going to say what the numbers are, but we are -- we put our pedal to the metal and we're writing as much business as we can.

Jeff Fenwick.

## Q - Jeff Fenwick {BIO 15350794 <GO>}

The next question is related to your runoff operations. This has been a source of consistent drag on earnings tied to significant adverse development related to asbestos claims, what's the status of this portfolio today of claims and do you expect them to continue to be problematic to Fairfax going forward?

## A - Prem Watsa {BIO 1433188 <GO>}

Yeah, so the runoff is we've got a terrific team there. You can't underestimate the plaintiff's lawyers, they continue to find ways to get paid, the social inflation, plaintiff's lawyers looking for awards.

So that's we've got a terrific team Nick Bentley. We're very happy with that and we monitor it very carefully, we think it is well controlled, but we have no substitute for just focusing on it because the plaintiff's lawyers are looking at every possibility to increase the awards that they get.

They are comfortable with it and (inaudible). But we are careful with that, I must say, Jeff Stacey. Your question on how much we can write, I wondered Andy Barnard if Andy will take a crack at that. Andy any comments on what we would be able to write in this market in three years.

It's difficult. I know, but any comment on that. Andy.

## A - Andrew A. Barnard {BIO 4015704 <GO>}

Sure. Prem. Well, I would say that if the premise is that we have the same level of rate hardening over the next three years, then I think we could easily be growing 15% to 20% over that time.

But that is an uncertain premise. I think it's, we're going to see eventually some slack and rate increase and in which case our growth levels would be down, but have the kind of price increases as we've been seeing today, you've said, I mean we're getting increased premium from our existing book but there is also much more business that comes into the sweet spot and allows us to write more new business.

So I would be comfortable saying that if we continue with the same level of rate increase that we see today, 15% to 20% compounding over the next three years would be a realistic expectation.

## A - Prem Watsa {BIO 1433188 <GO>}

I think that's right and what we have as Andy has shown you the four[ph] presidents what we have is veterans like they've been through many many cycles, Brian Young said underwriting profit, underwriting profit, underwriting profit, they focus on underwriting profit and when they see it they go for it.

They are very, very experienced and so when Andy said, if the rate increases like continue so 15%, 20% each year it could easily take place. Where Andy and I say to them, this is the time to expand and expand as much as you can. So Jeff is that Jeff Fenwick or Jeff Stacey.

## Q - Jeff Fenwick {BIO 15350794 <GO>}

I guess a follow-on question there Prem the follow-on question to that would be.

## A - Prem Watsa {BIO 1433188 <GO>}

Go ahead Jeff Fenwick, sorry.

## Q - Jeff Fenwick {BIO 15350794 <GO>}

Sure. I guess the follow-on question to that answer would be capitalizing.

## A - Prem Watsa {BIO 1433188 <GO>}

A little louder Jeff.

## Q - Jeff Fenwick {BIO 15350794 <GO>}

Sure.

## A - Prem Watsa {BIO 1433188 <GO>}

Little louder. If you don't mind.

## Q - Jeff Fenwick {BIO 15350794 <GO>}

I guess the follow on is how well capitalized are the insurance operations to continue to pursue that growth.

## A - Prem Watsa {BIO 1433188 <GO>}

They're very well capitalized and of course Jeff Fenwick as these when you get an $875 million stock portfolios and another $1 billion in the consolidated, because in the insurance companies, quite often there mark to market, that flows into the capital base of our companies and the capital improves. Well last year of course the opposite happened because it went down and we had to support companies which we did.

But as these stock portfolios go up $875 million and the mark to market, and then another $1 billion, so that's going to make our companies even more solid. So our goal for each of our companies is expand as much as you can. We'll figure out how to make sure you have the right capital, and we don't see any problem at that.

Jeff Stacey?

## Q - Jeffrey Stacey {BIO 15072600 <GO>}

Prem. We have time for about two more questions I think. You alluded different times about your optimism for the future for Fairfax this investors turning that around and saying, what is your biggest fear for the rest of 2021, from an economic and company perspective.

## A - Prem Watsa {BIO 1433188 <GO>}

That's a very good question, Jeff. And there's always fears right, and the big fear I think today and you've heard this from many CEO's and many people in the business, is that we'll have a variant that doesn't work with the vaccines that we have or you have Johnson having problems or AstraZeneca is causing problems. I think it's a small risk, I don't think it is significant from what I read and what I hear. But there is that risk that it doesn't work, new variant comes in, they find out Pfizer is not as effective as they've thought. So that's a major risk but barring that I think the economy is in a lot of pent-up demand for also sorts of products, and all of us have saved a lot of money. We haven't had any place to go, no place to go out. And so I think the economy, I think the other risk is more significant which is demand is so strong that it pulls up inflation expectations, inflationary year increases and interest rates go up. But I don't think that will be a problem because (inaudible) interest rates at much higher levels Jeff in the past as you know. And in a strong economy, you can have buy our interest rates.

I don't think at least in the near future, It's unlikely to have an impact on the economy but there are risks and now we are conscious of them. Is that Jeff Fenwick is that the last question or is that second last question.

## Q - Jeff Fenwick {BIO 15350794 <GO>}

I guess perhaps this can be the last question Prem, we have an investor asking about crypto-currency given how much Bitcoin has increased in this spaces has gained in --.

## A - Prem Watsa {BIO 1433188 <GO>}

Sorry Jeff -- yeah, you need to increase the volume on that. Sorry about that.

## Q - Jeff Fenwick {BIO 15350794 <GO>}

Sure. The question is about crypto-currency and just given the expansion in that asset class, what's your view on this space. And do you view it as an investable area.

## A - Prem Watsa {BIO 1433188 <GO>}

On what, again Jeff sorry I didn't get that --.

## Q - Jeff Fenwick {BIO 15350794 <GO>}

Bitcoin and crypto-currency.

## A - Prem Watsa {BIO 1433188 <GO>}

Oh, sorry. Bitcoin and crypto-currency. Yeah, yeah. The Bitcoin is I talked about $1 trillion has nothing in it, it's like gold. People are buying it in supply and demand and more recently I just saw all of the Bitcoin companies that have gone public gone up five times 10 times six times. My instinct is not knowing that too much about it, that will be a lot of pain with this. Anything goes up so fast has to come down as fast. We don't know when that will happened but for us we stay away from all of that just because we don't understand it.

People who do understand it then it might be a nice way to participate. But we don't understand that and we think you have to be very careful because they've gone up a lot. But with that first of all, let me thank the two Jeffs -- the Jeff Fenwick and Jeff Stacey for being so kind to join us and they know our company, both of them know our company really well. And so the company -- the questions come directly to them and then we can have this so that our shareholders benefit from this. And I want to thank each of you for joining us today. This is hopefully the last time we will be doing our virtual Annual Meeting.

I want to see all of you, shake your hands and have a little you know something to eat like we do at lunchtime. And but we really appreciate all of you being with us. And so next year, we'll see you in person, and we'll end the meeting right here. I'll remind you that we have, the Fairfax India meeting at 2 o'clock, with Chandran and myself. We look forward to some of you joining there, but now I will turn it back to the operator, perhaps to formally conclude the call. Thank you very much.

FINAL



Bloomberg Transcript