Q3 2017 Earnings Call

Company Participants

- David Bonham, Vice President and Chief Financial Officer
- Eric Salsberg, Vice President, Corporate Affairs and Corporate Secretary
- Prem Watsa, Chairman and Chief Executive Officer

Other Participants

- Jeff Fenwick, Analyst
- Junior Ross, Analyst
- Paul Holden, Analyst
- Srijit Banerjee, Analyst

Presentation

Operator

Good morning and welcome to Fairfax's 2017 Third Quarter Results Conference C all. Your lines have been placed in a listen-only mode. After the presentation, we will conduct a question-and-answer session. (Operator Instructions) Today's call is being recorded. If you have any objections you may disconnect at this time.

Your host for today's call is Prem Watsa, with opening remarks from Mr. Eric Salsberg. Mr. Salsberg, you may begin.

Eric Salsberg {BIO 1552007 <GO>}

Good morning, and welcome to our call to discuss Fairfax's 2017 third quarter results. This call may include forward-looking statements. Actual results may differ perhaps materially from those contained in such forward-looking statements as a result of a variety of uncertainties and risk factors, the most foreseeable of which are set out under risk factors in our base shelf prospectus, which has been filed with Canadian Securities regulators and is available on SEDAR.

I will now turn the call over to our Chairman and CEO, Prem Watsa.

Prem Watsa {BIO 1433188 <GO>}

Thank you, Eric. Good morning, ladies and gentlemen. Welcome to Fairfax's third quarter conference call. I plan to give you some of the highlights and then pass it on as always to Dave Bonham, our CFO for additional financial details.

The third quarter of 2017 reminded us yet again that our industry is a risk business. During the third quarter, the insurance industry experienced some of the largest catastrophe losses in its history, as a result of Hurricanes Harvey, Irma, Maria and earthquakes in Mexico. Losses for the property and casualty insurance industry from these catastrophes are estimated to be perhaps 100 billion plus.

Our companies' share of the losses amounted to $960 million, well within our expectation that in a year of extreme catastrophe losses, we expect to break even, but will not suffer any significant loss of capital. Fortunately, the reduction of our shareholding in ICICI Lombard to about 10% resulted in cash and shares of ICICI Lombard of 1.4 billion and a net after tax gain of 930 million, and our strategic alliance with MSI will on closing result in a net after tax gain of about $900 million. Fairfax expects to have an excellent year in 2017 in spite of the catastrophe losses, with cash and marketable securities in our holding company at record levels and we are prepared if a hard market develops in 2018.

For the first nine months of 2017 book value per share increased by 15.5%, adjusted for the $10 per share common dividend paid in the first quarter of 2017. Our insurance companies had a combined ratio of 109% for the nine months, which included 13.5 points of hurricane losses. Excluding the hurricane losses, our insurance companies had a combined ratio of 95.5% for the nine months.

In the third quarter we had an operating loss of 680 million resulting from the hurricane losses, but with more than offset by net investment gains of 1.1 billion, which arose primarily from ICICI Lombard and net gains and other equities of 186 million.

All-in-all we had net earnings of 477 million in the quarter and 871 million in the nine months. Insurance and reinsurance businesses net premium written was up in the third quarter of 2017 by 41% primarily due to modest growth of our insurance and reinsurance operations and the acquisitions of Allied World, Bryte Insurance, AIG's operations in three Latin American countries and branches in Eastern and Central Europe, and also AMAG. Excluding the acquisitions, our net premiums written was up 8.3%.

Net investment gains as I said earlier was 1.1 billion in the third quarter consisted of the following, please refer to page three of our press release. As I mentioned earlier, we have realized gains of 930 million resulting from the reduction of our shareholdings in ICICI Lombard. Net gains in other equity exposures of 186 million resulted from net gains of 240 million -- 241 million on long equities and 55 million net loss on individual short positions. We have realized gains of 58 million on equities principally from realized gains on Grivalia property due to the increase in ownership that resulted in consolidation. We also had gains of 25 million on our bond portfolio, primarily from a municipal bonds.

As we mentioned in our annual meetings, annual reports, quarterly calls, with IFRS accounting, stocks and bonds are recorded at market and subject to mark-to-market gains and losses, quarterly and annual income will fluctuate and investment results will only make sense over the long term.

As I said at our AGM, we continue to hold our CPI-linked derivatives with a notional value of 116 billion, which produced unrealized losses of 19 million in the third quarter. If some of the unexpected risk come to pass over the next few years, the CPI-linked derivatives could become very valuable. We will hold them as insurance for some time.

When you review our statements, please remember that when we own more than 20% of a company, we equity account and when we own about 50%, we consolidate, so that mark-to-market gains in these companies are not reflected in our results.

As you can see on page 13 of our quarterly report, the fair value of our investment and associates is 4.2 billion versus a carrying value of 3.5 billion, an unrealized gain of approximately $600 million that's not on our balance sheet.

During the third quarter of 2017, Fairfax completed the acquisition of AIG's insurance operations in Chile, Colombia and Argentina. And we continued to work through the legal, regulatory and operational requirements to complete the required acquisitions in Uruguay and Venezuela. The acquisitions of AIG's branches in Central and Eastern Europe is now complete with Romania having just closed.

In August, as you know, the company entered into an agreement with Mitsui Sumitomo to pursue a global strategic alliance. Mitsui Sumitomo will acquire the company's 97.7% interest in First Capital, for cash proceeds of 1.6 billion, which will result in a realized net after tax gain of approximately 900 million.

Completion of the sale, anticipated for late 2017 or early 2018, is subject to applicable regulatory approvals. Fairfax will retain a 25% quota share exposure to First Capital's insurance portfolio. The definitive agreement has been signed recently and is now subject to only regulatory approvals. We expect to close by the end of 2017 or early 2018.

In August, Fairfax Africa acquired a 42% equity interest in Atlas Mara for consideration of 156 million. Atlas Mara is a financial services institution listed on the London Stock Exchange that operates in seven sub-Saharan African countries.

In July, the company increased its equity interest in APR Energy to 68% by acquiring an additional 23% interest for a purchase consideration of 109 million. Also in July, the company increased its equity interest in Grivalia Properties of 53% through the acquisition of an 10.3% equity interest from Eurobank for purchase consideration of 100 million, and commenced consolidating Grivalia in the other reporting segment. Grivalia is a real estate company listed on the Athens Stock Exchange.

As I've said at our annual meeting and our conference calls, we believe the US administrations proposed policies of reducing corporate tax rates more recently to 20%, rolling back regulation in business like Dodd-Frank, Obamacare and a myriad of other regulations and significant infrastructure spending has the potential of boosting economic growth significantly in the United States. Already sentiment among small businesses has improved dramatically and animal spirits in the United States are alive and well.

When the US economy, which is approximately 20 trillion, does well, much of the world does well too. To us this means our concerns of China or Europe precipitating a worldwide recession/depression have been significantly reduced, but not eliminated.

Of Course the trade policies of the US could precipitate a collapse in world trade. So, these risks will be very much monitored by us. But we continue to think the new administration's policies may make this a stock picker's market and one in which we have thrived over the past 32 years.

In the past few years, we have played defense. We are and continue to play offense now, but always with a long-term value oriented investment philosophy. We will continue to pick good companies, which provide significant downside protection and potential appreciation over the long-term. As you know, we have invested about 550 million in bonds or preferred shares with warrants, recently in Chorus, Altius, Mosaic Capital, Westaim and AGT Foods. We get 5% to 6% plus upside through the warrants.

As of September -- end of September 2017, we have 17 billion in cash and short-term investments in our portfolios, which is 43% of our total investment portfolios to take advantage of opportunities that come our way. But as a result of the short-term, our investment income will be reduced. Subsequent to the third quarter, we bought back approximately 166,000 shares for 87 million at approximately $524 a share.

We recently announced that David Johnston joined us as a Global Advisor. David was previously an outstanding Fairfax Director and has been a champion for Canadian and Canadian businesses around the world for over seven years in his role as the General of Canada. We look forward to having such a great Canadian rejoin the Fairfax team to bring his integrity, wisdom and insight and his global advisory role.

Now I'd like to turn it over to Dave Bonham, our CFO, so he can give you some more information on the underlying financials. Dave?

David Bonham {BIO 15243784 <GO>}

Thank you, Prem. So, in the third quarter of 2007, Fairfax reported net earnings of $477 million, or about $16 per share on a fully diluted basis and that would compare to the third quarter in 2016, when we had net earnings of just a $1 million and that worked out with net loss of $0.42 per share after taking into account preferred share dividends.

Year-to-date in 2017, Fairfax has produced net earnings of 871 million, or $33 per diluted share, that's an improvement over 2016, when we reported net earnings of 189 million and that would have been about $6.62 per diluted share.

Underwriting losses at our insurance and reinsurance operations in the third quarter and first nine months of 2017 were 833 million and 617 million and those produced combined ratio of 130% and 109% compared to underwriting profits of 175 million and 379 million in the same period last year.

The decrease in quarter-to-date and year-to-date underwriting profits reflected the impact primarily of the third quarter Hurricanes that being Harvey, Irma, and Maria and they totaled $929 million on a pre-tax basis. The lower underwriting profit this year was also reflective of lower net favorable reserve development.

Looking at total current period catastrophe losses in the third quarter of 2017 they totaled $1 billion and added 37 combined ratio points to the combined ratio and year-to-date those losses totaled 1.1 billion representing 16 combined ratio points. So those, the total cats there include the three significant hurricanes that we just mentioned, the Mexican earthquake and other attritional losses.

By way of comparison cat losses in the third quarter and first nine months of 2016 were just $59 million and $248 million just 3 combined ratio points and 4 combined ratio points in those respective periods. And yes, last year, the year-to-date included $67 million and that was the Fort McMurray wildfires.

Our combined ratios was benefited from net favorable prior year reserve development in the third quarter and first nine months of 2017 of $88 million and $299 million that translated into 3 and 4 combined ratio points respectively, and that compared to the benefit of somewhat higher net favorable prior year reserve development last year of $137 million and $397 million representing about 7 combined ratio points in each of those respective periods last year.

Turning to net premiums written and excluding recent acquisitions, namely Allied World, Bryte Insurance, AMAG, Fairfirst Insurance and the AIG branches in Latin America and Central and Eastern Europe, our net premiums written by our insurance and reinsurance operations increased by 8% in the third quarter, 7% in the first nine months of 2017 and that primarily reflected growth at Odyssey Re, Northbridge and Crum & Forster.

So, just moving through our operating company results, starting with Northbridge. Northbridge had an underwriting profit of $2 million in the third quarter, 6 million in the first nine months and that resulted in a combined ratio of about 99% in each of those periods. Last year same periods Northbridge had an underwriting profit of 24 million and 27 million with combined ratios of 90% and 96%. The underwriting results in the third quarter and first nine months of 2017 included 2 million and 7 million of current period catastrophe losses - current period catastrophe losses in the first nine months of 2016 were 26 million and mostly related to the Fort McMurray wildfires.

The underwriting results in Northbridge in the third quarter and first nine months included the benefit of net favorable prior year reserve development of 31 million and 65 million, representing 12 and 9 combined ratio points and that compared to a net favorable development last year of 42 million and 79 million, representing 17 and 12 combined ratio points. In Canadian dollar terms, net premiums written by Northbridge in the third quarter and first nine months of 2017 increased by 8% and 10% and that reflected increased renewal and new business writings combined with modest price increases across Northbridge.

Looking at OdysseyRe; OdysseyRe reported underwriting losses of 168 million and 64 million with combined ratios of 126% and 104% in the third quarter and first nine months of 2007, that compared to underwriting profits of 59 million and 133 million with combined ratios of 90% and 91% in those respective periods last year.

Current period catastrophe losses mostly related to Harvey, Irma and Maria with the primary reason for the underwriting losses in the third quarter and first nine months, with total current period catastrophe losses amounting to $262 million and $316 million in the third quarter and first nine months, translating into 41 combined ratio points on the quarter, 18 combined ratio points year-to-date. And that's a significant increase from the cat losses of 33 million and 135 million in the prior year third quarter and first nine months.

Odyssey's combined ratios in the third quarter and first nine months included the benefit of $43 million and $110 million of net favorable prior year reserve development at 7 and 6 combined ratio points respectively, and that compared to the benefit of favorable development last year $45 million and $148 million.

Odyssey wrote $662 million and just over $1.9 billion of net premiums in the third quarter and first nine months respectively. So, that's an increase of 33% in the quarter, 16% year-to-date, reflecting increases in almost all of Odyssey's divisions, except in the Latin America division.

Crum & Forster; Crum & Forster produced underwriting losses of $18 million and $12 million in the third quarter and first nine months, combined ratios of 104% and 101% respectively compared to underwriting profits of $7 million and $23 million last year. Net prior year reserve development was not significant in the third quarters and first nine months of either 2017 or 2016.

Current period catastrophe losses were $31 million and $41 million in the third quarter and first nine months, principally related to the Hurricane and the Irma in the third quarter and that compared to current period catastrophe losses of just $1 million and $17 million in the third quarter and first nine months of 2016.

Crum & Forster's net premiums written increased by 1% and 3% in the third quarter and first nine months of 2017 and that's reflective of growth in their accident and health and commercial transportation lines of business, partially offset by decreases in excess and surplus in marine lines of business.

Zenith National reported underwriting profits in the third quarter and first nine months of $34 million and $92 million with combined ratios of 84% and 85% that compared to underwriting profits last year of $52 million and $115 million in those same respective periods. Those combined ratios in 2017 in the quarter and year-to-date included 8 combined ratio points and 10 combined ratio points of net favorable prior year reserve development compared to 15 combined ratio points and 13 combined ratio points in the third quarter and first nine months of 2016.

Zenith wrote a 175 million in the quarter, $677 million in year-to-date net premiums and that compared to $180 million in the quarter last year, $671 million in the nine months last year. And the changes in the net premiums written, quarter-over-quarter and year-over-year primarily reflected the interaction between increased exposure and modest price decreases.

Brit in the third quarter and first nine months, Brit produced underwriting losses of 222 million and 199 million combined ratios of 158% and 118% and that was compared to underwriting profits of 12 million and 26 million last year. Current period catastrophe losses in the third quarter and first nine months of 2017 at Brit were 244 million and 245 million respectively, representing 64 combined ratio points in the quarter, 22 combined ratio points year-to-date comprised mainly of the impact of the third quarter hurricanes. And that compared to $13 million and $48 million of current period catastrophe losses in the third quarter and first nine months last year. Net prior year reserve development in Brit was not significant in any of the third quarters of 2017 or 2016.

Brit's net premium written decreased to 5% and 1% in the third quarter and first nine months of 2017 and that principally reflected the impact of additional reinsurance purchased, reductions and some of the core lines of business through active portfolio management, modest price decreases, the unfavorable impact of foreign currency translation and then that was partially offset by increased contribution from some of the business initiatives that they have launched in more recent years and some measure growth in some other core lines of business.

Looking at Allied World; Allied World was acquired on July 6, 2017 and it contributed $541 million to net premiums written since its date of acquisition. Allied World's underwriting loss of 416 million and it's combined ratio of 182% since July 6, 20 17 were significantly impacted by $412 million of current period catastrophe losses, representing 82 combined ratio points and again principally the Hurricanes Harvey, Irma and Maria in the third quarter.

Fairfax Asia's underwriting profit of 15 million and 32 million combined ratios of 82% and 87% were comparable to the same periods in 2016. The combined ratios in the third quarter and first nine months included $6 million and $32 million of net favorable prior year reserve development and that compared to 5 million and 35 million in the third quarter and first nine months of 2016.

Our insurance and reinsurance other segment, it produced underwriting losses of 60 million and 56 million with combined ratios of 131% and 111% in the third quarter and first nine months of 2017, whereas underwriting profits of 9 million and 18 million and the combined ratios of 92% and 95% were the results in those same periods in 2016.

Those underwriting results in 2017 were negatively impacted by the current period catastrophe losses of $67 million and 34 combined ratio points in the third quarter, $81 million and 15 combined ratio points in the first nine months. Again, the third quarter Hurricanes responsible for majority of those cat losses.

Runoff reported operating losses of $15 million and $95 million in the third quarter and first nine months of 2017, compared to operating losses of 12 million and 28 million in the same periods in 2016. The increase in the year-to-date operating loss reflects higher net adverse prior year reserve development and lower interest and dividends both in 2017.

Looking at some of our consolidated results, interest and dividend income in the quarter increased from 105 million in the third quarter of 2016 to 152 million in the third quarter of 2017 that reflects a contribution from the acquisition of Allied World and lower total return swap expense in 2017, partially offset by lower interest income earned as a result of our sales of US treasuries and municipal bonds late in 2016 and the first quarter of 2017.

Fairfax recorded an income tax recovery of $27 million in the third quarter of 2017 and a provision for income taxes of 42 million in the first nine months of 2017 and that represented a negative effective tax rate of 8% in the quarter, a positive effective tax rate of 5% year-to-date. The low effective tax rates relative to the Canadian statutory tax rate, primarily reflect the $930 million gain on the sale of ICICI Lombard, which is not taxable in the jurisdiction, where it's held and that creates a significant benefit to our income tax provision, when compared to the Canadian statutory tax rate of 26.5%.

We ended the third quarter with an investment portfolio inclusive of holding company cash of $39 billion compared to $28 billion at the end of 2016 and as at September 30, 2017 Allied World had contributed approximately $8 billion to the year-over-year increase that being the consolidation of their investment portfolio.

Our total debt to total capital ratio decreased to 26.9% at September 30th, from 29% at December 31, 2016, reflecting the increase in our consolidated shareholders' equity and additional non-controlling interest.

So with that Prem, I'll pass it back to you.

Thank you, Dave. Now, we are happy to answer your questions. Please give us your name, your company name, try to limit your question to only one. So, that's fair to everyone on the call. Okay, Iris, we are ready for the questions.

Questions And Answers

Operator

Thank you. We'll now begin the question-and-answer session. (Operator Instructions) We have our first question from Jeff Fenwick from Cormark Securities. Your line is now open.

Q - Jeff Fenwick {BIO 15350794 <GO>}

Hi, good morning Prem.

A - Prem Watsa {BIO 1433188 <GO>}

Hi, good morning, Jeff.

Q - Jeff Fenwick {BIO 15350794 <GO>}

So, you mentioned, you reiterated that Fairfax is back on offense with respect to investments and you had sitting with that very high cash and short-term investments here balance of 43% of the total. Just wondering if I get your perspective on what the right level is to work that cash balance down toward? And what would you expect to be a reasonable time frame for that balance to be deployed as we look forward here?

A - Prem Watsa {BIO 1433188 <GO>}

Yes, that's, you know, Jeff, that's very difficult to say because it's very opportunistic, it's looking at one investment at the time. Our cash positions in the past have gone right down do maybe 10% or so. And so we've got lots of powder, but we did the AGT Foods an investment in more recently, where we did a bond plus a warrant. There are many, many investments that they're working on in a similar vein.

What we have Jeff is 32-year reputation for treating people well, friendly investments, so people companies are comfortable giving us 30%, 40% of that company because they know we will never do anything hostile. And that gives us huge advantage and that's based on 32 years, as I said, of a very friendly investments.

And we think we like the ones that we've already made that's five of them and we've invested, I think, I said 550 million. But we keep looking at it, we've got many opportunities ahead of us and I can't tell you exactly what time frame because it's very opportunistic value-oriented, but we will be looking to invest. We are playing offense. This is what we've done for 40 years.

This is our -- this is what we are good at for a long period of time and there's no change in the management teams and I'm not speaking for myself, but Roger Lace, Brian Bradstreet, Wade Burton, we've got a very good group of people. But behind it all, is the fact that our culture is so good, that people want to deal with us, in Canada, in the United States, and many, many parts of the world, Jeff.

Q - Jeff Fenwick {BIO 15350794 <GO>}

Okay. And I guess the follow-on with that would be, you have more cash coming in the door here shortly from the sale of First Capital. You were active on buybacks over the last quarter here and should we expect that to continue to be a part of the equation going forward, if you can have $1 billion after-tax gain coming in the door?

A - Prem Watsa {BIO 1433188 <GO>}

Yes. So, that's about 900 million, I think, you're talking about in terms of First Capital. And so we've bought back, we've said about 166,000 shares, I think, it is about 87 million. That certainly, I have said publicly, I said it in the annual meeting Jeff, that's very much what we want to do. It's subject to share prices.

The point I want to make very clearly to all our shareholders is that our book value today is always has been a first step for what the intrinsic value is, but the difference between book value and intrinsic value are pretty significant. I mean just look at ICICI Lombard, for example, 1.4 billion it was very insignificant amounts on our balance sheet. We have realized a gain of 930 million.

Look at the -- we have been First Capital, and we've got a terrific partnership with Mitsui, we are working forward on that Jeff. But it was -- 400 million of premium and the track record was so good that the price we got was 1.6 billion. And 400 million -- the total premiums in our company is about $14 billion and you look at all the investments we have, many of them have got tremendous potential that we have yet to realize on.

And so when we put all of that together, Jeff, we think the opportunity is very significant. So, the link between book value and intrinsic value is probably never been more different than in the 32 years that we've had because we took a loss in 2016 and our book value went down, but the underlying fundamentals of our company are very strong.

So, I've said, Jeff, that there is a potential of a hard market that might come and here we have two significant sales, one is the ICICI Lombard, the one is First Capital 1.4 billion and 1, that goes to the holding company of my band [ph] and 1.6 billion on the other that after expenses, maybe 1. 5 billion goes to the holding company.

So, you're talking about very powerful position, financial position as we meet this market Most companies have taken a loss in the third quarter and most companies will have taken a loss in the year that are exposed to reinsurance particularly. And we've got -- we've got the ability to take advantage of the market. So, we are very -- we are really very excited about the possibilities of our company.

Q - Jeff Fenwick {BIO 15350794 <GO>}

Okay. Thank you for your answers. I'll reach you.

A - Prem Watsa {BIO 1433188 <GO>}

Thank you. Thank you, Jeff. Next question, Iris.

Operator

Our next question comes from Paul Holden from CIBC. Your line is now open.

Q - Paul Holden {BIO 6328596 <GO>}

Thank you. Good morning.

A - Prem Watsa {BIO 1433188 <GO>}

Hi, good morning, Paul.

Q - Paul Holden {BIO 6328596 <GO>}

Two questions for you. So, first is on Allied World, and I recognize that it's only one quarter of results, sort of, it have been included so far. But combined ratio of 101, excluding cat losses, and I know you didn't buy this business and it was assumption for a combined ratio of 101 going forward.

A - Prem Watsa {BIO 1433188 <GO>}

Yes.

Q - Paul Holden {BIO 6328596 <GO>}

So, wondering kind of what the view, whether its strategic change you can implement, or just simply waiting for the market cycle to turn? What's your kind of view on that 101 improving going forward?

A - Prem Watsa {BIO 1433188 <GO>}

Yeah, so the 101 in, there was a reserve development of approximately 20 million, which in our system, we just flow it right through. Their reserve redundancies are very significant, Paul, but we look at it in the fourth quarter. And you exclude that 20 million and is more like 96%. The company has a reserve surplus, all our companies are very strongly reserved. And Allied World is the public company, they've given -- publicly they've said, they've reserved in excess of what is needed.

And, but in the third quarter they just flow that 20 million right into the numbers and we really don't worry about it quarter-by-quarter, Scott Carmilani has got one of the best track records in the business and he have got a great team, Andy and Peter, our Chief Risk Officer spent a whole day, not only with the top management, but two or three levels below and we are really excited.

Where I'm facing this market -- these market conditions today, Paul, with a Brit that we didn't have and which is a big Lloyd's company. And Allied World, which is very entrepreneurial company in the United states, which writes Fortune 500, Fortune 1000 business. And they are separately capitalized, they run by the same management team at both these companies. And I got to tell you, we are very excited about the possibilities for both companies and, of course, our OdysseyRe, which has been stayed stable for a long time.

Q - Paul Holden {BIO 6328596 <GO>}

Okay, helpful. And then second question is an accounting one. So, on the consolidated statement of changes in equity, there's a line called other net changes in capitalization and that number changed significantly from Q2 to Q3 and was a positive benefit to book value per share of roughly $7 a share, so fairly immaterial. So, just want to understand that that line better, and what exactly changed quarter-to-quarter?

A - Prem Watsa {BIO 1433188 <GO>}

And Dave, why don't you address that accounting item?

A - David Bonham {BIO 15243784 <GO>}

Sure. So, what close through that line is when we consolidated subsidiary and then there are changes in the amount or the ownership percentage of that subsidiary, any dilution gains or losses get charged directly into our equity through that line item. So, that's what you're seeing in there.

And in the current period, what's contributing to that, or changes in ownership of Quess. Like we've got an order in our financials, the talks about additional shares that were issued by Quess that we didn't participate in and of course there are some activity in there related to Allied World.

Q - Paul Holden {BIO 6328596 <GO>}

Great. Thank you for your answers.

A - Prem Watsa {BIO 1433188 <GO>}

Thank you, Paul. Next question, Iris.

Operator

Our next question comes from Srijit Banerjee [ph], from Private Investor. Your line is now open.

Q - Srijit Banerjee {BIO 22134289 <GO>}

Hello Prem.

A - Prem Watsa {BIO 1433188 <GO>}

Hey, Srijit.

Q - Srijit Banerjee {BIO 22134289 <GO>}

Hello. So, I have two quick question regarding Fairfax India. So, on October 4th Fairfax India Inc. created a intention to make a Normal Course Issuer Bid at TSX.

A - Prem Watsa {BIO 1433188 <GO>}

Yeah.

Q - Srijit Banerjee {BIO 22134289 <GO>}

To buyback its own share, right. So, question is like, it's Fairfax India buying back its own share at the current price range, or is it an insurance, when the price below book value. And second question will be, can you share some update on Sanmar Chemicals?

A - Prem Watsa {BIO 1433188 <GO>}

Okay. So, on the buyback, Srijit that's a Normal Course Issuer buyback that we put in. We always put that in so that it gives us the ability to buy the Fairfax India stock. So, it will be function of the stock price. It last for a year and give us flexibility to buyback, whenever we feel like doing it. Doesn't mean we're going to buy it at these prices, we could buy it -- we don't say what the price will be, but it gives us the flexibility to do that, that's one.

On Sanmar Chemical, they have an operation in Egypt that will come into full production sometime in the middle of next year. And then they will be, well on their way. There were PVC producer, as you know, in India, second largest very, very strong, terrific results there. And as Egypt comes into production, we think Sanmar will do pretty well.

We really like Fairfax India investment it's about approximately eight companies there. They come out, they come out with their own statements, as you know, and it's run by Chandran. AT the annual meeting, many of you have met him. And Harsha, who is in India. Lots of opportunity in India that's a one country we think there is a tremendous possibilities. And we've got now an established company there. The investments are all doing well. We have closed the 48% in Bangalore International Airport, with third largest city in India, very significant investment for us. And we think the possibilities in the future are very significant for that company.

Q - Srijit Banerjee {BIO 22134289 <GO>}

Thank you, Prem.

A - Prem Watsa {BIO 1433188 <GO>}

Thank you, Srijit. Next question, Iris.

Operator

We have our next question from Junior Ross [ph], from Private Investor. Your line is now open.

Q - Junior Ross

Good morning, Prem. How is going?

A - Prem Watsa {BIO 1433188 <GO>}

Hey how are you doing, Junior?

Q - Junior Ross

Pretty good. Thank you. The Final Universal Shelf Prospectus, the equivalent what -- what was the plan for that? What was that over, I didn't know the news article was release in October?

A - Prem Watsa {BIO 1433188 <GO>}

This shelf prospectus for Fairfax --

Q - Junior Ross

Financial, yeah.

A - Prem Watsa {BIO 1433188 <GO>}

Fairfax Financial, yeah, that's just regular thing we do on a regular basis. I think at every year you have to refresh it and gives us a lot of flexibility, Junior. So, we don't have to, we can issue stocks, bonds, cash, whatever we want in very quickly. But, I'll tell you, we have no intention of issuing shares, as I told you we are just the opposite, we're looking at buying them back.

And our financial position it's perhaps the strongest we've been in a long time and with these big losses, the other side of these losses, Junior. I'm talking about the hurricane losses, the catastrophe losses, the California fire losses, the other side of these losses is the pricing in our business, which has been going down for a long time, might start going up and coming to where you get paid to take risk. And if you get paid to take risk, our management teams are well-positioned to do it.

Q - Junior Ross

Okay. Second question is, how is the Torstar investment coming along?

A - Prem Watsa {BIO 1433188 <GO>}

Well, that's an investment we've got, and we don't talk about individual situations, Junior. So, thank you for your question. But we don't talk about individual situations that we have.

Q - Junior Ross

Okay, great.

A - Prem Watsa {BIO 1433188 <GO>}

Thank you very much Junior. Iris, any more questions?

Operator

We show no further questions in the queue right now.

A - Prem Watsa {BIO 1433188 <GO>}

Okay. If there are no more questions, thank you all for joining us on this call. We look forward to presenting to you again in the next quarter. Thank you, Iris.

Operator

You're welcome. That concludes today's conference. Thank you for participating. You may disconnect at this time.