Q1 2015 Earnings Call

Company Participants

- David Bonham
- Eric P. Salsberg
- Vivian Prem Watsa

Other Participants

- Jeffrey M. Fenwick
- Paul Holden
- Sachin Shah

MANAGEMENT DISCUSSION SECTION

Operator

Good morning and welcome to Fairfax's 2015 First Quarter Results Conference Call. Your lines have been placed in a listen-only mode. After the presentation, we will conduct a question-and-answer session. For time's sake, we ask that you limit your questions to one. Today's conference 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 Eric Salsberg. Mr. Salsberg, please begin.

Eric P. Salsberg {BIO 1552007 <GO>}

Yes. Good morning, and welcome to our call to discuss Fairfax's 2015 first 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 which are set out under Risk Factors in our Base Shelf Prospectus, which has been filed with Canadian securities regulators and is available on SEDAR.

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

Vivian Prem Watsa {BIO 16700363 <GO>}

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

In the first quarter 2015, book value per share increased by 2.3% adjusted for the $10 per share common dividend paid in the first quarter of 2015. Our insurance companies had an excellent first quarter with a combined ratio of 91.3%, with excellent reserving and significant underwriting profits of $127 million. OdysseyRe again had an excellent combined ratio of 89.2%, while Zenith had a combined ratio of 77.7%

As shown on page 30 of our quarterly report, we realized gains on our investment portfolio of $482 million before equity hedges. Excluding all hedging losses and before mark-to-market fluctuations in our investment portfolio, we earned $637 million in pre-tax income. Including all hedging losses and mark-to-market fluctuations in our investment portfolio, we reported after-tax income of $225 million in the first quarter of 2015.

Our insurance and reinsurance business premium volume was up in the first quarter by 4.4%, while the combined ratio, as I said, was 91.3%. At the subsidiary level, the change in net premiums written in the first quarter and combined ratios were as follows; OdysseyRe, premiums were down 1.6% with a combined ratio of 89.2%; Crum & Forster, premiums were up 11.9% with a combined ratio of 98.6%; Northbridge, in Canadian dollars, premiums were up 5.8% with a combined ratio of 97%; Zenith, premiums were up 7% with a combined ratio of 77.7%; and Fairfax Asia had reported at their level a drop in premium of 26.5% with a combined ratio of 90.8%. The drop in that premium was because of a new internal quota share reinsurance treaty beginning in 2015. On a consolidated basis, there was basically no change.

As we've said before, very low interest rates and reduced reserve redundancies means there's no place to hide for the industry. Combined ratios have to drop well below 100% for the industry to make a single-digit return on equity with these low interest rates. While the short term is always tough to predict, fundamentals will eventually play out. So net investment gains of $176.5 million in the first quarter consisted of the following; please refer to page two of our press release.

Net losses on equity and equity-related investments of $70 million, resulting from the net gains of $100 million and $170 million net loss on our equity hedge reflects the outperformance of the Russell index versus our stock portfolio.

We realized gains of $237 million on our equity and equity-related holdings in the first quarter of 2015. Also, we had gains of $141 million, primarily on our treasury and municipal bond portfolio, because of the impact of dropping interest rates. As we have mentioned in our annual meetings, annual reports and quarterly calls, with IFRS accounting, where stocks and bonds are recorded at market and subject to mark-to-market gains and losses, quarterly and annual income will fluctuate wildly and investment results will only make sense over the long term.

Our CPI-linked derivatives with a notional value of approximately $106 billion produced unrealized gains of $75 million in the first quarter. With deflation in the air, these contracts have come to life, appreciating 24% in the first quarter after a 100% increase in the fourth quarter of last year but they continue to be very volatile. But the majority of these contracts are based on the underlying U.S. CPI index or the European Union CPI index.

Further information is available on page three of our press release, where we've included a table on our deflation swaps. On average, they have 7.2 years to run. As I've said to you before many times, our CDS experience comes to mind.

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

As you can see on page 11 of our quarterly report, the fair values of our investment in associates is $1.95 billion versus a carrying value of $1.5 billion, producing an unrealized gain of over $0.4 billion or $400 million, that's not on our balance sheet.

On February 16, 2015, we announced the purchase of Brit PLC for approximately $1.7 billion. Proceeds from our public offerings of common shares, preferreds and senior notes and from the sale of 29.9% of Brit to OMERS will be used to finance the Brit acquisition. We expect it to close before the end of the third quarter.

During the first quarter, we completed the following. In January, in conjunction with the initial public offering of Fairfax India Holdings Corporation, Fairfax purchased for $300 million all of the multiple voting shares of Fairfax India, constituting a controlling interest. Including Fairfax's $300 million investment, Fairfax India raised net proceeds of a little more than a $1 billion after issuance costs and expenses from its offering. The consolidation of Fairfax India increased Fairfax's non-controlling interest by $735 million at March 31, 2015.

In anticipation of the IPO of Cara, the March 31, 2015, mark-to-market of the company's interest in Cara was based on the C$23 per share price, at which the Cara IPO was completed on April 10, 2015, resulting in a first quarter pre-tax unrealized gain of approximately $204 million. Upon closing of the IPO, the company held a 52.6% and 40.7% voting and economic interest respectively in Cara, and will commence consolidating Cara in the second quarter of 2015.

In April, Kennedy-Wilson in which we have a 59% limited partnership interest, entered into an agreement to sell all of their equity interests in 50 multi-family buildings located throughout Japan. The transaction is expected to close in the second quarter of 2015, subject, of course, to customary closing conditions. We believe that upon successful completion of that sale, we will receive approximately $141 million or 59% limited interest, and as a result, we will recognize a pre-tax gain of approximately $80 million.

In April, Ridley announced that they had entered into an agreement with the subsidiary of Alltech, which will acquire all of the outstanding common shares of Ridley for C$40.75 in cash per common share. We have agreed to tender our shares in favor of the transaction, which is expected to close in the second quarter of 2015. The company estimates that upon successful completion of the transaction, it will receive approximately $317 million or C$384 million for our 74% interest in Ridley, and as a result, we will recognize a pre-tax gain of approximately $232 million or in C$282 million. Fairfax's interest in Ridley was initially acquired at an average cost of C$8.44 per share and it was on our books, just prior to the sale at approximately $8 per share.

We continue as you can see to realize significant investment gains, which add up over time, since we began, we've had over $11 billion in realized and unrealized gains. In April, again, Crum & Forster acquired a 100% interest in the Redwoods Group for approximately $20 million. Redwoods is a full-service, national managing general underwriter and produces approximately $50 million of gross premiums written annually from property and casualty packaged insurance business focused on YMCAs, community centers and day camps.

As we've said at our AGM and for a few years now, we continue to be very concerned about the prospects for the financial markets and the economies of North America and Western Europe, accentuated as we've said many times before by potential weakness in China and emerging markets.

We believe there continues to be a big disconnect between the financial markets and the underlying economic fundamentals. As of March 31, 2015, we have $5.7 billion in cash and short-term investments in our portfolio, which is 22.7% of our total investment portfolios, to take advantage of opportunities that come our way. As a result, in the short-term, our investment income will be reduced.

Finally, on page 17 of first quarter report, we have requested the maximum disclosure possible for our shareholders. To this end, we have worked closely with the council and Quebec regulators to get you the updated disclosure with respect to the Quebec investigations all in this quarterly report. We believe this updated information serves to put the subject matter of the investigation into context.

Now, I would 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. For the first quarter of 2015, Fairfax reported net earnings of $225 million or about $10 per share on a fully-diluted basis, and that compared to the first quarter of 2014, when we reported net earnings of $785 million or about $36 per share on a fully-diluted basis.

Underwriting profit at our insurance and reinsurance operations increased to $127 million at 91% combined ratio, compared to underwriting profit of $99 million last year at a 93% combined ratio. So that's the year-over-year increase in our underwriting profit of about $28 million.

Our combined ratio was benefited from net favorable prior-year reserve development in the first quarter of 2015 of $68 million, that translates into about 5 combined ratio points and that was slightly higher than the net favorable development of $56 million in the first quarter of 2014, which represented about 4 combined ratio points.

Current period catastrophe losses in the first quarter, although which were attritional, totaled $28 million or 1.9 combined ratio points and that was slightly lower than cat losses in the first quarter of 2014, which totaled $31 million or 2.2 combined ratio points.

Now turning to our operating company results; we'll start with OdysseyRe. In the first quarter of 2015, OdysseyRe reported an underwriting profit of $58 million and a combined ratio of 89% compared to an underwriting profit of $75 million and a combined ratio of 86% last year.

Catastrophe losses in the first quarter, again all of which were attritional, totaled $23 million that translated into four combined ratio points and those results were fairly comparable to the first quarter of 2014. Net favorable prior-year reserve development of $11 million or 2 combined ratio points in the first quarter, principally related to casualty and non-catastrophe property loss reserves and that was slightly lower than the first quarter of 2014, when it was $22 million or 4 combined ratio points.

OdysseyRe recognized the majority of the premiums written in respect of the winter planting season of its U.S. crop insurance business in the fourth quarter of 2014, whereas in prior years, those premiums would have been recognized in the first quarter of 2015.

So excluding the impact of the U.S. crop insurance business from the first quarter of 2014, that being last year, OdysseyRe's net premiums written increased 4.7% to $563 million in the first quarter of 2015. That reflects modest increases in writings of property reinsurance and commercial automobile, insurance and reinsurance, partially offset by lower writings of casualty insurance.

Moving on to Crum & Forster. Crum & Forster reported an underwriting profit of $5 million and a combined ratio of 98.6% in the first quarter of 2015, and that compared to an underwriting profit of $1 million last year at a combined ratio of 99.8%. There was no net prior-year reserve development in the first quarters of either 2015 or 2014.

Current period catastrophe losses were modest at $5 million in the first quarter that added 1.5 combined ratio points. In the same period last year, catastrophe losses were $7.5 million and added 2.4 points to the combined ratio.

Crum & Forster's net premiums written increased by 12% in the first quarter, reflecting growth across several lines of business and improved pricing of casualty reinsurance purchased, reductions in purchases of other forms of reinsurance, partially offset by planned reductions in the writings of business in the CoverX line.

Zenith; Zenith reported underwriting profit in the first quarter of $40 million at a combined ratio of 78% and that compared to an underwriting profit of $16 million at a combined ratio of 91% in the first quarter of 2014.

The improvement in 2015 reflected two items; first, higher net favorable development year-over-year, so there was 20 combined ratio points or $36 million in the first quarter of

2015, and that compared to 10 combined ratio points or $17 million last year, and that reflected net favorable emergence on accident years 2007 through 2014. The second point, a year-over-year decrease of 4 percentage points in the estimated current accident year loss ratio and that's due to favorable loss development trends for accident year 2014 and price increases that are equal to estimated loss trends for this accident year 2015.

Net premiums written by Zenith of $310 million in the first quarter of 2015 increased by 7% year-over-year; that reflected premium rate increases, modest increases in exposure and higher audit premiums.

Northbridge; Northbridge reported an underwriting profit of $6 million and a combined ratio of 97% in first quarter that compared to underwriting profit of $1 million last year at a combined ratio of 99.8%. The increase in Northbridge's underwriting profitability, principally reflected improvements in its non-catastrophe underwriting margins relating to the current accident year, that reflects the absence of the severe winter weather conditions in the first quarter of 2015, that we experienced in the first quarter of 2014, and that was partially offset by lower net favorable reserve development year-over-year.

Net adverse prior-year reserve development was $1 million, representing 1 combined ratio point in the first quarter of 2015, and that reflected Northbridge's share of the facility association's underwriting results. That compared to net favorable prior-period development in the first quarter of 2014 of $15 million, which represented 7 combined ratio points.

In Canadian dollar terms, net premiums written by Northbridge in the first quarter increased by 5.8%, that reflected increased new business in Northbridge Insurance, modest price increases across the group and a decrease in the amount of casualty reinsurance purchased.

Fairfax Asia reported an improved underwriting profit of $6 million and a combined ratio of 91% in the first quarter that compared to underwriting profit of $5 million and a combined ratio of 94% in the comparable period last year. Net premiums written by Fairfax Asia decreased by 26% in the first quarter that reflected an increase in written premiums ceded to reinsurers, related to a new intercompany quota share agreement in Group Re and First Capital. It also reflected planned reductions in commercial automobile writings at Falcon, the unfavorable effect of foreign exchange on Pacific and First Capital that was partially offset by $10 million of premium that we consolidated as a result of our acquisitions of Union Insurance and Fairfax Indonesia.

The insurance and reinsurance other segment produced an underwriting profit of $11 million at a combined ratio of 91%, that's in the first quarter this year, that compared to underwriting profit of $2 million and a combined ratio of 98% last year. The improvement in underwriting profit principally reflected increased net favorable prior-year reserve development, partially offset by lower non-catastrophe underwriting margins in the current accident year.

Net premiums written by the insurance and reinsurance other segment increased by 51% in the first quarter of 2015, reflecting the impact of $51 million of net premiums assumed from QBE as an interim step prior to the acquisition of QBE's insurance operations in the Czech Republic, Hungary and Slovakia that we announced late last year and that we expect will formally close later this year.

The QBE reinsurance transaction is described in more detail on page 39 of our first quarter interim report. The 51% increase also reflected the other side of that new intercompany quota share reinsurance agreement between Group Re and First Capital that I just mentioned when we discussed Fairfax Asia.

Runoff reported operating losses of $13 million in the first quarter of 2015 that compared to operating losses of $21 million in the same period last year, the year-over-year improvement reflecting lower net adverse development in the first quarter of 2015.

And moving on to some of our consolidated results; consolidated interest and dividend income increased from $91 million in the first quarter last year to $114 million in the first quarter of 2015, that reflected an increase in interest and dividend income earned, partially offset by slightly higher total return swap expense.

Fairfax recorded an income tax provision of $95 million at an effective tax rate of 28.6% in the first quarter, that was higher than our Canadian statutory income tax rate, principally due to the income that we earned in the United States, where the statutory tax rate is 35% compared to the Canadian statutory tax rate of 26.5%.

Moving to our financial position, our total debt to total capital ratio decreased to 23.2% at March 31, 2015 from 24.6% at the end of last year. That was primarily as a result of the increase in our common shareholders' equity, reflecting the increase of subordinate voting and preferred shears to finance the Brit acquisition, our net earnings for the year and increased non-controlling interest principally related to the offerings by Fairfax India, that was partially offset by dividends paid on our common and preferred shares. Note that we also issued C$350 million principle amount of 4.95% unsecured senior notes due in 10 years and that was part of the financing for the Brit acquisition also.

We ended the year with an investment portfolio, which included holding company cash and investments of $27 billion compared to $26.2 billion at the end of last year. The increased investment portfolio reflected in part the funding of $1 billion that we reserved to complete the Brit acquisition and it also reflected, sorry, that was reflected in our holding company cash and the net – and the other factor was the net proceeds that we received from the non-controlling shareholders of Fairfax India on the closing of the Fairfax India offerings.

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

Vivian Prem Watsa {BIO 16700363 <GO>}

Thank you, Dave. Now we're happy to answer your questions. Please give us your name, your company name, and try to limit your questions to only one, so that it's fair to all on the call. Okay, Mary, we're ready for the questions.

Q&A

Operator

Yes, sir. Thank you. We'll now begin the question-and-answer. Our first question is coming from Sachin Shah from Albert Fried.

Q - Sachin Shah {BIO 15433972 <GO>}

Hi, good morning. Happy Friday. I just want to find out an update on the Brit acquisition, I think the EC approval is - provisional deadline is set to expire May 18. Just wanted to see if there was any other regulatory approvals that were still pending, if we can just get an update on that and possible estimated closing date? Thank you.

A - Vivian Prem Watsa {BIO 16700363 <GO>}

Yeah, no. Thank you for asking the question. The big one is of course the insurance regulatory body, which is called PRA in the UK. And that approval we expect, with some good fortune, by the end of June, but officially we'd say by the end of the third quarter is when we would be - before the end of the third quarter is when we'd be closing our deal.

Q - Sachin Shah {BIO 15433972 <GO>}

Okay. So if you do get that (25:08) by the end of June, you could probably close it maybe early July or early third quarter timeframe?

A - Vivian Prem Watsa {BIO 16700363 <GO>}

Yeah, as soon as we - as soon as is possible, subject to those regulatory approvals, Sachin, as soon as we get them, we'll close.

Q - Sachin Shah {BIO 15433972 <GO>}

Perfect. Thank you.

A - Vivian Prem Watsa {BIO 16700363 <GO>}

Thank you. Next question please.

Operator

Thank you. Our next question coming from (25:31).

I was wondering if you could give me a sense of your fixed income portfolio's duration and how it might have changed over the past couple of years. I don't know if you track the average duration or something like that?

A - Vivian Prem Watsa {BIO 16700363 <GO>}

So, basically John (25:48), what we have is, we have the municipal bonds, which is a big component of our investment and bond portfolio and we have – now municipal bonds are callable and as the treasury rates go down, they get refunded, (26:07). And so, we've had a few of those take place already. Municipal bonds are predominantly reinsured by Berkshire Hathaway, and on the – we've got some California bonds and we've got some other muni bonds, and then we have some treasury bonds, and our treasury bonds are long-term bonds, long treasury bonds. And we still will continue to hold those positions. We don't monitor it on an average-duration basis, but we do give you a, what happens if interest rates go up a 100%, 100 basis points or 200 basis points. That's in our interim statements.

Q - Operator

Thank you.

A - Vivian Prem Watsa {BIO 16700363 <GO>}

Thank you, John (26:59). Next question please.

Operator

Thank you. Our next question is coming from the line of Paul Holden of CIBC.

Q - Paul Holden {BIO 6328596 <GO>}

Thank you. Good morning.

A - Vivian Prem Watsa {BIO 16700363 <GO>}

Hey. Good morning, Paul.

Q - Paul Holden {BIO 6328596 <GO>}

So, wanted to ask you, I guess, two questions related to the, I'll call it, the new CPI swaps that you've taken on, specifically the ones with the floor rate of half a point. So first question is more technical and second one is more philosophical. So the technical question is, how exactly that 0.5% works? Is it a matter of the strike price increasing by half a point every year? Is that how we should be thinking about that?

A - Vivian Prem Watsa {BIO 16700363 <GO>}

Yeah. That's you should be thinking about it. Half a point each year for 10 years, so 5%. So we have inflation less than 0.5% a year, cumulative less than 5%, then of course we benefit.

Q - Paul Holden {BIO 6328596 <GO>}

Okay, got it. And then the more philosophical question, I guess is, it's kind of – to me, it's a little bit of a switch going from necessarily a call on outright deflation to a call on low inflation. So looking at it in two ways I guess. That would be one is, just perceptually it's kind of different, and then two is, you say that you have the CPI hedges to serve as an economic hedge against the potential adverse financial impact on the company of decreasing price level. So, with low inflation, that's not quite the same. So, just wondering if you can explain your thinking behind this new structure?

A - Vivian Prem Watsa {BIO 16700363 <GO>}

Yeah, no. On the 0.5%, Paul, we did that because it was extremely inexpensive and that's why we did it, and you might have noticed it's gone up quite significantly, more than doubled on our cost, whereas everything else is still below our cost. What, Paul, you have to understand is that, we haven't gone in North America, we haven't experienced deflation since the 1930s. The last time we, all of us here, on this call and others have experienced deflation is by watching what happened in Japan, but none of us have experienced the 1930s. And when you have – and deflation is in the air right now in the United States, you've had January and February, basically CPI numbers have been flat to a little negative. And the economy in the first quarter came out at 0.2%. Now, people say there was a severe winter. There was a strike, a port strike and other things like that. And I'm suggesting to you that after QE1, QE2, QE3 if the second and third quarter come out like that, I don't know, I'm just suggesting, but if that does come out, then this idea of deflation might get engrained in peoples' mind and it's a very difficult environment to face. It's one that we've studied and it's one that we want to protect our company from.

If we can get the advantages of deflation, protection by building in 0.5% inflation because no one else believes deflation, that's the reason we were able to buy those contracts, then of course we're going to do that.

We buy 2% inflation each year, if we could buy it cheap, and that's basically what we've done. We have shown for some time that (31:00) that as I said in my prepared remarks, that realized gains have been very significant, over $11 billion. That's when we were a very small company and now we are significant. And the problem with realized gains is that's not forecastable, when you can't forecast it, none of the other analysts can forecast it, but that does not make it not real. It is significant, our book values have compounded because of that and we think over the next few years, I have listed some of the realized gain that we've made recently, the Ridley and others, I think we will – our company will experience very significant realized gains and we expect to benefit from that for all our shareholders.

Q - Paul Holden {BIO 6328596 <GO>}

Thank you.

A - Vivian Prem Watsa {BIO 16700363 <GO>}

Thank you, Paul. Next question.

Operator

Thank you. Next question is coming from Jeff Fenwick of Cormark Securities.

Q - Jeffrey M. Fenwick

Hello, good morning.

A - Vivian Prem Watsa {BIO 16700363 <GO>}

Hey, good morning.

Q - Jeffrey M. Fenwick

So, Prem, I wanted to start with U.S. P&C, the results at Crum have pretty encouraging recently and I just wondered, can you give us some commentary about how much of that is associated with industry conditions, which still sound to be pretty challenging versus, the shift that Crum has made more recently into specialty lines, and what's the balance between those two that's been helping Crum?

A - Vivian Prem Watsa {BIO 16700363 <GO>}

Yeah, it's - the industry conditions, Jeff, have been difficult. They've been up about - depending on the United States, depending on the line, maybe 2% or 3%. But in terms of cat exposures, they are down 7%, maybe 10%, depending on where you are in the layers that you provide reinsurance for. So the industry is still difficult. But Crum has moved, as you know, basically to 100% specialty as we said in the - in our annual meeting and it's really from that focus, that you are going to see, we think, Crum develop underwriting profits on a sustainable basis, because it's gone from about 20% specialty, maybe seven, eight, nine years ago to about a 100% specialty and we think that's a dramatic change and we think the possibilities for Crum now in the future are very significant. You heard Marc Adee make that comment at our AGM and we think you'll see that in the future.

Just in terms of our business by the way and the cycle, property casualty prices are flat, maybe down as I said in the cat area, there is capital coming into our business, perhaps capital that might not enjoy good returns. But we write about 0.7, 0.8, less than one times, Jeff, in terms of premiums to our capital and we can write - we've written 1.5 times our capital and sometimes up to two times our capital. So we've got a tremendous ability to write more business.

I've mentioned this many times in our call, but we're not going to write it unless the pricing is good. There is a lot of reaching for yield that's taken place. We've noticed it more recently a gain and reaching for yield in terms of trying to get some interest income, trying to get some income from common stocks and we think all of that will result in - will not have a happy ending and it might be another reason - might be a reason because it's always difficult to tell, but it might be a reason for why the insurance cycle will turn and if and when that happens, we would be able to take advantage of it.

I made that point sometime before and for you to be able to take advantage of it, you have to have the management teams and you have to have the capital and we have both.

Q - Jeffrey M. Fenwick

And I guess the follow on to that. You did a – Crum did a small acquisition of an MGU during the quarter, which I haven't seen you – haven't seen really do before. I mean is that part of that effort to utilize some of that capital bringing on an MGU that can drive some volume for you in the line that you link?

A - Vivian Prem Watsa {BIO 16700363 <GO>}

Yeah, no question. This company – these are companies that we've known for a long time. So in this particular case, Redwoods, we've known them for 17 – Marc Adee has known them for 17 years or 18 years. They've got a specialty operation, underwriting profits year-after-year in terms of the insurance company that wrote the business and of course by buying the MGU, we write 100% of the business over time. And those underwriting profits will accrue to us. So, we've done that – done some of it already, Jeff, and we plan to do more of it in the future.

Q - Jeffrey M. Fenwick

Okay. And I guess maybe just one last thing with respect to U.S. P&C and with the Brit acquisition; I know Brit has a pretty substantial U.S. presence in surplus lines. Is there going to be some overlap between the two businesses and opportunities there maybe to sort of rationalize or get some synergies between the two of them or how do you envision that working?

A - Vivian Prem Watsa {BIO 16700363 <GO>}

So the way we envision that working is we do not put them together. We make sure that we introduce our U.S companies and that might be Brian Young and Odyssey, Hudson and Marc Adee and Crum & Forster and the other subsidiaries under Crum. Two, the Brit management and expect them to work that out themselves with of course Andy Bernard working very closely with all of them.

So we don't believe in sort of choosing the best people and putting them together and having synergies of $20 million, or $50 million, or $200, we don't think that's the right way to go about it for us, for our company and a decentralized approach. But it works by sharing information and working together.

Q - Jeffrey M. Fenwick

Okay. Thanks for your time, Prem.

A - Vivian Prem Watsa {BIO 16700363 <GO>}

Thank you. Thanks, Jeff. Next question, Mary.

Operator

Thank you. At this point, sir, there are no questions on the queue.

A - Vivian Prem Watsa {BIO 16700363 <GO>}

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

Operator

Thank you, sir. And that concludes today's conference. Thank you all for joining. You may now disconnect.