S&P Capital IQ

CONTENTS

Fairfax Financial Holdings Limited TSX:FFH

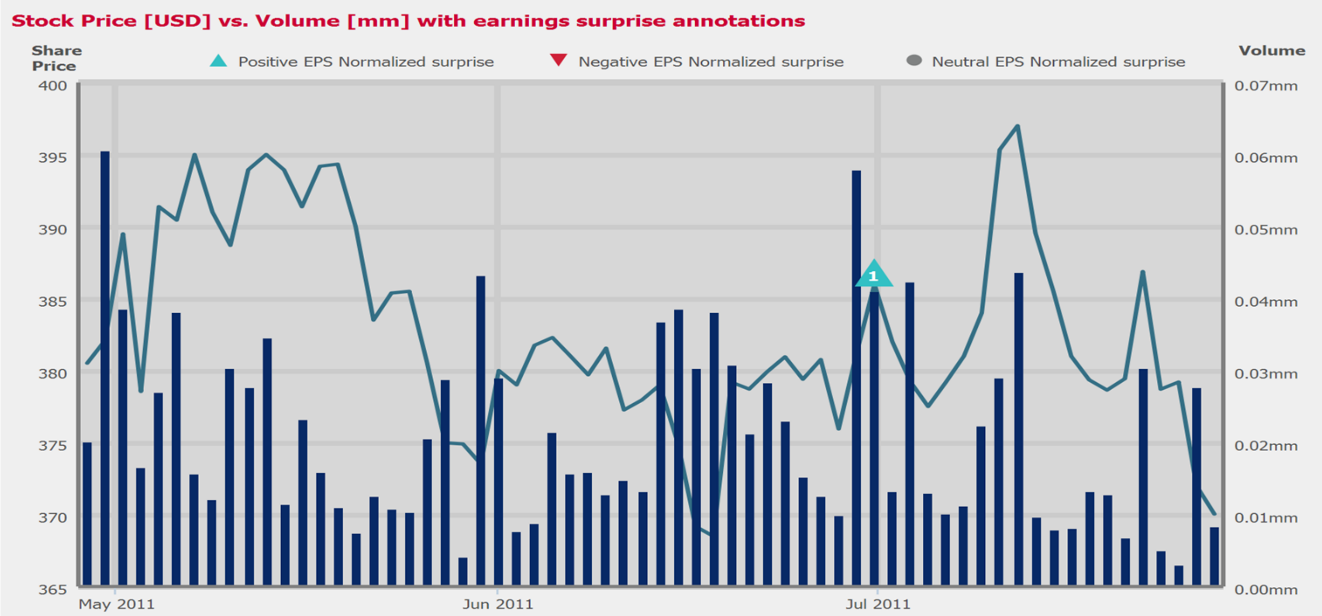
FQ3 2011 Earnings Call Transcripts

Friday, October 28, 2011 12:30 PM GMT

S&P Capital IQ Estimates

	-FQ3 2011-			-FQ4 2011-	-FY 2011-	-FY 2012-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	26.35	53.29	▲102.24	5.11	23.68	11.64
Revenue (mm)	1801.57	3322.90	▲84.44	1816.65	7027.55	7346.10

Currency: USD
Consensus as of Oct-25-2011 2:31 PM GMT



	- EPS NORMALIZED -		
	CONSENSUS	ACTUAL	SURPRISE
FQ1 2011	-	2.87	-
FQ2 2011	12.60	19.14	▲51.90 %

Call Participants

EXECUTIVES

Bradley Paul L. Martin
Vice President of Strategic Investments

John Charles Varnell
Vice President of Corporate Development

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

ANALYSTS

Jeffrey Michael Fenwick
Cormark Securities Inc., Research Division

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Paul David Holden
CIBC World Markets Inc., Research Division

Tom MacKinnon
BMO Capital Markets Equity Research

Presentation

Operator

Good morning, and welcome to Fairfax 2011 Third Quarter Results Conference Call. [Operator Instructions] Today's conference is being recorded. If you have any objections, you may disconnect at this time. Your host for today's call is Prem Watsa, with opening remarks from Brad Martin. Mr. Martin, please begin.

Bradley Paul L. Martin
Vice President of Strategic Investments

Good morning. Welcome to the conference call to discuss Fairfax's third quarter 2011 results.

The comments we make during this conference call may contain forward-looking statements. Actual results may differ, perhaps materially, from those contained in such forward-looking statements, as a result of a large variety of uncertainties and risks factors, the most foreseeable of which are listed in Fairfax's annual report, which is available on our website at fairfax.ca or is set out under Risk Factors in Fairfax's base shelf prospectus, filed with the securities regulatory authorities in Canada, which is available on SEDAR.

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

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

Thank you, Brad. 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 onto John Varnell, our CFO, for additional financial details.

Our results have always been lumpy, and our third quarter earnings are a case in point. We earned almost $1 billion in spite of significant catastrophe activity in the quarter because of almost $1.6 billion in net gains on our investment portfolio.

Our book value per share increased by 9.7% at the 9 months to approximately $403 per share, after adjusting for the $10 per share dividend paid in the first quarter. Excluding acquisitions, our consolidated net premiums written in the quarter grew by 16%, including acquisitions that grew by 21%. The company continues to be soundly financed with cash and marketable securities at the holding company level in excess of $1 billion.

This is our third quarter reporting under International Financial Reporting Standards, IFRS. Our investments are now shown at market value at the end of the quarter, and the fluctuations in market values flow through the income statement.

Some highlights during the quarter. The combined ratio of the company's insurance and reinsurance operations on a consolidated basis was 107.5% in the third quarter of 2011, reducing an underwriting loss of $105.3 million. Underwriting losses were negatively impacted by $171.7 million of pretax catastrophe losses related to Hurricane Irene, the Denmark floods and the development on the Japanese earthquake losses, which increased the combined ratio during the quarter by 12.3 points.

Catastrophe losses in the first 9 months were $661.2 million or 17 percentage points on our combined ratio. Net investment gains of $1.6 billion in the third quarter and $1.6 billion approximately in the first 9 months of 2011 consisted of the following.

If you will, please note Page 2 of our press release. You'll see there that net losses on equity and equity-related investments of $1.34 billion are predominantly unrealized and were largely neutralized by net unrealized gains of $1.5 billion on our equity hedges.

Unrealized bond gains of $1.2 billion and $51 million in unrealized CPI-linked derivatives and other unrealized gains of $114 million -- $118 million resulted in a net gain of $1.6 billion in the quarter, most of it unrealized. The unrealized bond gains were largely due to our long U.S. Treasury bond portfolio, which benefited from declining interest rates in the third quarter.

As of September 30, 2011, the company held $1.22 billion of cash, short-term investments and marketable securities at the holding company level.

Finally, we continue to be approximately fully hedged in relationship to our equity and equity-related securities, which includes convertible bonds and convertible preferred stock, with some variation in the hedge ratio due to fluctuating markets.

We continue to be very concerned about the prospects of the financial markets and the economies of North America and Western Europe, with the possibility -- with the possibilities of developing problems in China.

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

John Charles Varnell
Vice President of Corporate Development

Thank you, Prem. So starting with our third quarter financial results, consolidated. The net earnings for Fairfax shareholders were $973.9 million in the 2011 third quarter. That compares to earnings of $388 million in the 2010 third quarter. The third quarter fully diluted EPS was $46.73 compared to fully diluted EPS of $18.44 in the quarter last year. Nine-month earnings were $816.6 million this year or $37.78 per diluted share compared to $830.2 million or $39.56 per diluted share last year.

The third quarter earnings were influenced by 2 main items, and the first is the underwriting result. We had a one-off $105.3 million underwriting loss in the quarter compared to a $13.3 million underwriting loss last year. Contributing to this year -- this quarter's underwriting loss were the catastrophe losses, as Prem mentioned, of $171.7 million or 12.3 combined ratio points.

Our third quarter calendar year combined ratio was 107.5% on a consolidated basis compared to 101.1% last year. Also note that for 9 months this year, the combined ratio was 111.8%, which included 17 points on the combined ratio related to catastrophe losses. And last year, the combined ratio was 103.7%, which included 8.5 points related to catastrophes.

On an accident-year basis, looking at the impact on the results of reserve development, we had a very small amount of about $7.5 million in net adverse development in the third quarter, which is about half the combined ratio point.

The second large item, as Prem has mentioned, was the large net gains on investments of $1.588 billion. In the third quarter of 2011, interest and dividend income decreased to $169.6 million from $189.8 million last year.

Our annualized portfolio yield decreased in the third quarter of 2011. The yield, on an annualized basis, was 2.85%. That compares to the third quarter of 2010 yield, which was 3.45%. The decrease in the yield reflected the increased investment expenses associated with the total return swaps. The average investment portfolio size has increased to $24.9 billion from $23.2 billion last year.

Turning to operating company results, starting with Odyssey. Their underwriting result in the third quarter was a combined ratio of 103.4%, which produced an underwriting loss of $18.9 million. In the third quarter of 2010, for comparison, Odyssey had a combined ratio of 89.2% and an underwriting profit of about $51.7 million. Odyssey's cat losses pretax net to them for the third quarter of 2011 were $109 million or about 19.7% combined ratio points. By comparison, Odyssey had $41.4 million in cat losses or about 8.6% combined ratio points for the third quarter of 2010.

Odyssey's third quarter of 2011 accident year combined was 103.5%. In terms of premium volumes, Odyssey's net premium written was $642.9 million this quarter compared to $524.1 million last year. This reflected increased ratings of crop, commercial auto business in the United States, property business, generally, offset by -- somewhat by reduced casualty ratings.

At Crum & Forster, the combined ratio was 102% in the third quarter; that compares to 106.6% a year ago. Crum had small cat losses of about $3.4 million in the quarter and an underwriting loss of $5 million. On an accident year basis, Crum's combined ratio was 101.7% this quarter, and that compares the 106.8% in the year-ago quarter.

At Crum, we saw an increase in net premiums written to $266 million in the third quarter of 2011. That figure includes First Mercury net premiums of $58.1 million, and First Mercury is the acquisition that Crum did most recently. By comparison, the net premiums written in the third quarter of 2010 were $168.2 million. So if you take out First Mercury, that's an increase in net premiums written of about 11% for Crum & Forster.

At Northbridge, they had a combined ratio of 101.4% in the quarter. That compares to 104.8% in the year-ago quarter. They had 2 combined ratio points of cat impact from Hurricane Irene, mostly, and that was offset by favorable claim development in the third quarter of 2011 of 4.6 combined ratio points. Net premiums written at Northbridge increased to $245 million this quarter from $227 million last year. That includes the impact of a portfolio transfer. Excluding that transfer, their premiums were up a few percentage points.

For Fairfax Asia, their profitable growth continued this quarter. Their combined ratio was 73.1% compared to 76.2% last year. Net premiums written were $49.7 million, and that included Pacific Insurance, their most recent acquisition, and that's up from $36.4 million from the prior year. Net premiums written for 9 months of 2011 were $163.2 million, up from $124.4 million in 9 months of 2010.

In our Reinsurance and Insurance - Other segment, we had a 146.7% combined ratio and an underwriting loss of $60.7 million due to cat losses of $53.7 million or 41.6 combined ratio points, which came from Hurricane Irene and Japanese loss development mainly. Net premiums written in that segment decreased by $11 million or 8.3% in the third quarter.

At Zenith, we reported a 124.3% combined ratio this quarter compared to 125.1%. Net premiums written during the third quarter increased about 15%, reflecting Zenith's ability to write new business at higher prices.

Just a note on taxes in the quarter; you'll see that we had a $514 million provision for income taxes, which is a 34.5% tax rate, which is higher than usual. That occurred because we had significant earnings in the United States, which is a higher tax jurisdiction, and we had losses in our low-tax jurisdictions.

On financial position. Prem told you that the book value was $402.66 per share at September 30. Common shareholder's equity ended the quarter at $8.2 billion. Prefererreds ended the quarter at $935 million. Our total debt to total capital ratio was 24.6% at September 30, and that compares to 23.9% at December 31. Also note that Fairfax had holding company cash and securities of $1.2 billion.

And Prem, that's it for my section, and over to you.

V. Prem Watsa
Founder, Chairman and Chief Executive Officer
Thank you, John. Now, we are happy to answer questions. Please give us your name, your company name and try to limit your questions to only one so that it is fair to all the call. Marianne, we are ready for the questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Jeff Fenwick of Cormark Securities.

Jeffrey Michael Fenwick
Cormark Securities Inc., Research Division

Prem, I just wanted to ask you this for perhaps some color around volume growth. I mean, quite an impressive number that you highlighted there in the quarter. I know Fairfax has always been conservative in the way it approaches the market and is looking for price adequacy before you begin to ramp those volumes. Maybe, what are you seeing in those markets? Is there -- has there been a material turn in some of these areas where either there's less capital available or players have exited? And are you being opportunistic on a short-term basis? Or do you think this is something -- or maybe we are starting to see some firming, and this is a sustainable trend?

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

So, Jeff, the prices are firming up in some markets, sort of bottoming out and firming up. Workers' compensation in California, for example, as John said, some of the specialty markets that Crum & Forster is involved in, it's not an outright hard [ph] market, but there are certain pockets that our companies are taking advantage of. But by any imagination, not a hard [ph] market yet. So 1/1 is a very important date. We'll see how that develops. For the cycle, as you know, interest rates are low. So every time bonds mature, investment income drops. The cushions of the hard markets of the past are coming down. And so sometime, and in spite of all that, the returns on equity are not significant. You've had increases in the third quarter in terms of spreads, whatever bond positions you have -- unless you had government bond positions, of course, you have some unrealized losses or less gains. So the trends, we think, will change sometime. It's very difficult to say when.

Jeffrey Michael Fenwick
Cormark Securities Inc., Research Division

And I guess, that just sort of feeds into you -- the level of underwriting versus your capital today, as you've, I think, highlighted in the past is really relatively low, and there's that opportunity for you to scale. And I guess, the key concern is just to be profitable, as opposed to exceptionally [ph] low combined ratio levels. Let's get the flow growing and try to generate some incremental returns off the float.

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

Yes. So this quarter, you saw a gain, and in the 9 months, I highlighted for you the catastrophe losses -- significant cat losses. And that's our business. We think they're not predictable. Beginning right at the top of the -- right at the beginning of the year with the Japanese earthquake and tsunami. You had Irene and some Danish losses -- flood losses. So these things are there. They take place at all times. But we are seeing opportunity on a case-by-case basis. And if we see the opportunity, then we take advantage of it. Our capital, if you add our equity -- our equity base is about $8.2 billion. We've got $900 million of preferreds, which are basically perpetual preferreds. And then if you add some long-term debt that we have, you've got about $11 billion plus our capital and you have -- we are writing between $5.5 billion and $6 billion of premium. So we have the ability to write a lot more premium. We won't write it on a forecast; we'll write it when we see the prices going up sufficiently that we can make a significant underwriting profits with good reselling [ph].

Operator

Our next question is from Mark Dwelle of RBC capital.

Mark Alan Dwelle

RBC Capital Markets, LLC, Research Division

A couple of questions. First, related to, I guess, Northbridge. We saw some improvement in the underwriting results there relative to some recent quarters. I know there's been a lot of commentary on the U.S. market as far as rate firming. Are we seeing some of the same trends in the Canadian market, or is it lagging at all?

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

It's really too early to tell, Mark. And Canada tends to lag the U.S. But we are -- we've got very high accident-year loss ratio, so all our companies have -- we'd like to think good reserving by having high accident-year loss ratios. They're above a 100%. And then we hope reserves will be redundant as the years go by, but it's still very competitive in Canada. And so our premiums have gone up some, Mark, but we're very, very careful.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Okay. My second question. Obviously, a lot of the result in the quarter was related to unrealized gains. Is there a -- I know in the past sometimes you've provided some update in terms of how the portfolio has moved subsequent to the quarter. I guess -- my guesstimate would be is that some of that gain has eroded in the course of October.

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

Yes. So Mark, that's right. And we had the opportunity -- these are very liquid treasury bonds, longer-term treasury bonds we can sell at a moment's notice; we decided not to. And it's reflecting the fact that we're still very concerned about the economic outlook. As I said to you, we're concerned about the situation in the United States, in terms of -- broadly speaking, we're looking at this as a balance sheet recession. So there's a lot of deleveraging taking place among individuals, as well as businesses. And on top of that, you've got now the government's austerity programs in the United States and then -- and in Western Europe. And so we think that no fiscal options to speak of in the current environment and no monetary options, because interest rates are basically at 0% today in both parts of -- both those major areas, Western Europe and the United States. And in that environment, we think our study of the past -- and we think you have to look at Japan and the Saudis. Those are the 2 relevant periods, we think. Because they were also balance sheet recessions, and there were times when there was a lot of debt in the system, both countries. And so in those time periods, government bonds were the ones that benefited an investor. And so as far as your question is concerned, in the third quarter, long [ph] rates might have dropped by approximately 1.5 percentage points. And since the end of the quarter, maybe 1/3 of it has been reversed. It's gone up, say, 50 basis points from the end of the quarter. And so these are fluctuations. They continue to go up and down. The markets go up and down. We're looking through all of that -- looking at the long term, and there'll be a point when we'll realize these gains, but we don't think it's today.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Okay. That's very helpful. One last question, if I may. You've been fairly, fairly reserved in terms of utilizing your share buyback programs. The cash position has remained well north of a $1 billion for a long time now. I was wondering if that was something that you're considering more actively in the current environment?

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

We always look at that as our #1 priority, to buy our shares. But in this environment, we always want to keep more than $1 billion in cash and marketable in the holding company. You've pointed out in your previous question that our gains are not realized -- they're unrealized. So we take all of that into account, and at the appropriate time, market prices are appropriate, we look at buying our stock back. But it won't be, as I said, at the expense of our financial position, which very simply, we define as having cash and marketable securities in excess of $1 billion. So we're keeping ourselves very flexible, Mark. We are financially very sound. We have the ability to expand as and when the market's done -- the insurance markets. And as you can see, if you have problems in the economy, problems in the financial markets, we're structured so that we benefit significantly.

Operator

Our next question is from Tom MacKinnon of BMO Capital.

Tom MacKinnon
BMO Capital Markets Equity Research

Question with respect to the reserve development in the quarter. You had -- it actually was unfavorable, and it kind of bucked a trend we've seen over the last several quarters; there's some favorable development. You had said you hope reserves are redundant as years go by. If I kind of look at other commercial line players in the states, as well as other global reinsurers, they had -- still are having considerable favorable reserve development. How are we to look at favorable development with respect to Fairfax's book going forward, given the fact that it was slightly unfavorable? Should we expect to see really just kind of a neutral or 0 impact from reserve development going forward? Or is there much less than the tank here in terms of favorable development going forward?

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

Yes. I think, Tom, first of all, on a quarter-by-quarter basis, it's -- we just -- very difficult to tell. But your point is exactly right. There's a much less left in the tank in terms of favorable development. But we put our accident-year combined ratios at -- we think at a level that gives us a chance to have a redundant reserving. Quarter-by-quarter, Tom, very difficult to say. This is, of course, a time period where we're building our company over the long term. We're very sensitive about reserving to make sure that reserves are good in all our companies. If you see any area where the reserves are not -- should be higher, we put them up, because we just want to be very careful in this time of soft market conditions not to keep our reserves low. When you see other companies report -- that's one of the problems in our industry, you really don't know how good the reserving is for the next 3 or 4 years. And one commentator called this the cheating face [ph], is what he called it. And so it's one that we're very -- in our holding company, we're very careful about our Chief Risk Officer, Chief Actuary going to each of our companies to make sure that the reserves are appropriate. And if not, we put them up. And John, I don't know if you would add to that.

John Charles Varnell
Vice President of Corporate Development

Yes, we weren't too bad. Japan was the one item that bumped us up in the quarter. And so that was just because of the uncertainty that's left in the last few claims that are there. But going forward, neutral would be probably where we would expect to go, going forward.

Tom MacKinnon
BMO Capital Markets Equity Research

Okay. And one other follow-up question, with respect to the CPI-linked derivatives. It looks like you made some money on them in the quarter. If I look at the CPI indices in the U.S. and in Europe and in U.K., they all kind of hit to all-time highs in the -- at the end of the third quarter. How are we to sort of look at how to put any kind of value on these CPI derivatives?

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

When you say all-time high, you mean the CPIs, right?

Tom MacKinnon

BMO Capital Markets Equity Research

That's right, yes.

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

Yes. So the CPIs, if you construct them, particular to the U.K. and perhaps in Europe, they increase the value-added tax. And then we have many onetime items that raise the CPI in those countries. And these are 10-year contract -- they're long-term contracts, and so we look at them as protection. It's in our books at the end of September. It's a little more than $200 million. We've written them down by a little more than $200 million in the first 9 months. We think of it as a 10-year deal. And anytime -- it's a long ways, we point out that in Japan, there was a 15% cumulative deflation. In the '30s, there was comparable deflation. So it's not a month-by-month or a quarter-by-quarter investment strategy, Tom. We are protecting our -- there's going to be unintended consequences. I mean, just imagine, if you were a Greek bank, and you were buying the safest bonds in the country, the debt -- the government debt, you just took a 50% haircut, and you probably lost a bank. So there's all sorts of unintended consequences here that you have to be very careful about. And also, that's how we take these CPI inflation or deflation derivatives. We take it in the sense that, there's going to be things that we're not going to see, that we might well get hurt in a deflationary -- we're worried about deflation, not inflation. We think there's a lot of concerns about inflation, but it's really deflation that we're worried about. That's the unexpected possibility -- not a certainty, but an unexpected possibility, and that's what we worry about.

Tom MacKinnon
BMO Capital Markets Equity Research

I guess my question is, you're making money in an inflationary market, on which you coined as being deflation protection. So how are we to sort of figure out what could be the gain on these things going forward?

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

So Tom, these are -- they fluctuate. So we went up by $51 million in the quarter, I think, but only because we went down very significantly in the first 6 months. So they fluctuate. I wouldn't put too much attention. It's mark-to-market. They go up and down. It's like the credit default swaps. We had them from 2003 and 2004, and we didn't make any money for a few years. And then in '07, '08 is when it became unrealized significant gains. And then in '08 is when we realized them at the fourth quarter and then in '09. So these things go up and down. They fluctuate -- markets fluctuate, but problem with this [ph] is when you realize it. The way to look at it is very simple, we've got the better part of $50 billion in these derivatives. And so of $50 billion, 10% is $5 billion, 1% is $500 million. So for every 1% either real deflation or received deflation, if you worry about deflation, then that's what the amounts are. If there's no deflation, and if there's inflation and received inflation, then of course, these contracts are worthless. So we'd lose today $200 million plus would be written off in our book value over the next few years. We've probably got another 9 years to go on it, but -- so that's how we look at it. It fluctuates up and down, but we have -- we can't lose more than $200 million. And we have an ability, if we are right in the view that deflation is what you have to worry about, making some significant returns for our shareholders and perhaps protecting us from some unintended consequences on other parts of our investment portfolio or other parts of our insurance business.

Tom MacKinnon
BMO Capital Markets Equity Research

Okay. I just -- may have to take it offline, because even that little example you gave seems to suggest that if we have 1% inflation, you're going to be losing some money on the contract, which we had something higher than that on an annual basis just in the quarter on those indices, and you made money on it, so...

V. Prem Watsa

Founder, Chairman and Chief Executive Officer

Tom, these are 10-year contracts. So a quarter doesn't make a difference. A year doesn't make a difference. It's cumulative over 10 years. So one year, you have a cumulative, say, 3% or 4%. And then the next year, if you have deflation of 2%, it's that 2% plus the 4%. You have to take the 2 together. And then you look at the following year, and what's the expectation? And it's very much based on deflation over 10 years. Or I mean, inflation or deflation. The changes in the consumer price index over 10 years.

Operator

Our next question is from Paul Holden of CIBC.

Paul David Holden
CIBC World Markets Inc., Research Division

Prem, I wanted to ask you sort of how you might approach your net equity exposure here. So if the markets continue to rise, as they have, would you consider adding additional short positions on the market, or you're happy to just sort of net out your long-equity exposures? Would you go in that short?

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

Sorry, yes. It's basically 100% hedged now. So we have -- as the markets go up or down, we're hedged. If you look at the third quarter, the markets went down quite significantly. And net-net, we had -- we lost money on our common stock positions, on our convertible preferred stocks, on our convertible bonds; we made money on the hedge. Net-net, this is positive -- a little less than $200 million, about $160 million plus. So we have a positive $160 million. And over time, we basically -- our stocks have done better than the index, so overtime. And so we've made some money -- not significant amounts of money, and neither have we lost significant amounts of money. So we're pretty well hedged right now. We could -- in a market that goes down, we could reduce it. In 2008, in the last quarter, we took out the hedge. We've been gradually, in the last 18 months, increasing our hedge from 30% to 50% to now 100%. And we could go the other way, of course, if markets decrease. If markets go up, we likely will keep our hedge at 100%.

Paul David Holden
CIBC World Markets Inc., Research Division

Right. So you're happy with the 100%. You won't necessarily go to, let's say, 120%, 130%, and there be -- thereby be short?

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

No.

Paul David Holden
CIBC World Markets Inc., Research Division

Okay. And then just second question, if I may, on Zenith. Underwriting at higher premiums, combined ratio continues to be fairly high. So when does that new business start to hit the combined ratio and bring it back down to sort of the long-term average?

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

Yes. So when you look at Zenith, you'll see that the expense ratio exceeds the loss ratio. So they have a loss ratio of 60%, 62% -- between 60% and 65%. But their expense ratio is higher than that. And that just reflects the fact that their premium volumes have gone from $1.1 billion in 2005 to about $450 million today. And so as they increase their volumes, the expense ratio comes down. The loss ratios remain the same. That's just how they underwrite. And their long-term average, as you pointed out, is 95%. And we expect that over time, that's where they'll will be. In fact, they'll be less than that to make up for these years of 125% combined ratios.

Operator

[Operator Instructions] So far, there are no more questions.

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

Well, Marianne, thank you very much. And so, if there are no more questions, thank you, all, for joining us on this call. And we look forward to presenting to you again in the next quarter. Thank you.

Operator
This does conclude today's conference call. You may disconnect your phones at this time.