S&P Global
Market Intelligence

Fairfax Financial Holdings Limited TSX:FFH

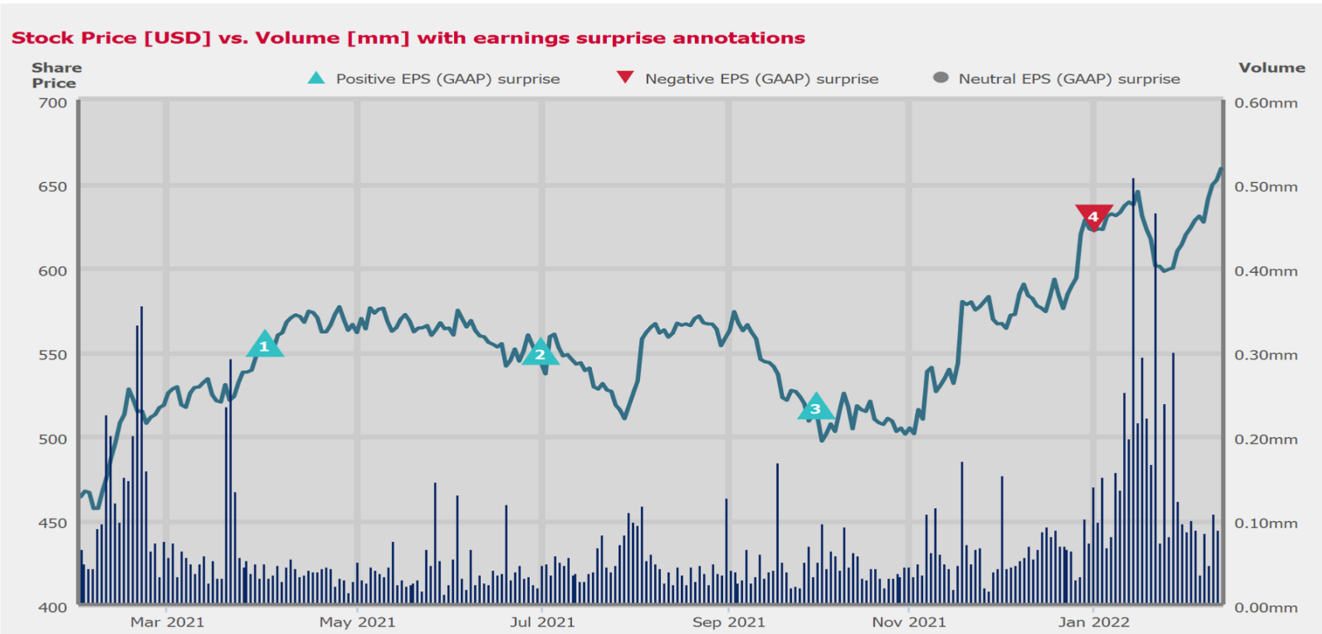
FY 2021 Earnings Call Transcripts

Friday, February 11, 2022 1:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2021-			-FQ1 2022-	-FY 2021-			-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS (GAAP)	34.19	33.64	(1.61 %)	15.22	120.47	122.25	1.48	54.88
Revenue (mm)	6688.47	6928.30	3.59	6370.80	25249.00	26467.90	4.83	25692.85

Currency: USD
Consensus as of Feb-11-2022 6:15 PM GMT



- EPS (GAAP) -

	CONSENSUS	ACTUAL	SURPRISE
FY 2021	120.47	122.25	1 1.48 %

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Call Participants

EXECUTIVES

Derek Bulas
Associate Vice President of Legal

Jennifer J. S. Allen
VP & CFO

Peter S. Clarke
President & COO

V. Prem Watsa
Founder, Chairman & CEO

ANALYSTS

Ashwin Mudaliar

Charles Frischer

Jaeme Gloyn
National Bank Financial, Inc., Research Division

Mark Alan Dwelle
RBC Capital Markets, Research Division

Unknown Analyst

William Gilmore

SHAREHOLDERS

Unknown Shareholder

ATTENDEES

Unknown Attendee

Presentation

Operator

Good morning and welcome to Fairfax 2021 Year End Result Conference Call. [Operator Instructions] Today's conference is being recorded. [Operator Instructions]

Your host for today's call is Prem Watsa with opening remarks from Mr. Derek Bulas. Mr. Bulas, please begin.

Derek Bulas
Associate Vice President of Legal

Good morning and welcome to our call to discuss Fairfax's 2021 year-end 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 and which now include the risk of adverse consequences to Fairfax's business, investments and personnel resulting from or related to the COVID-19 pandemic. Fairfax disclaims any intention or obligation to update or revise any forward-looking statements except as required by applicable securities law.

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

V. Prem Watsa
Founder, Chairman & CEO

Thank you, Derek. Good morning, ladies and gentlemen. Welcome to Fairfax's 2021 year-end conference call. I'd like to give you some of the highlights and then pass the call to Peter Clarke, our President and Chief Operating Officer to comment on our insurance and reinsurance operations and Jen Allen, our Chief Financial Officer, to provide some additional financial details. I want to begin, first of all, by congratulating Peter Clarke, who was named President and Chief Operating Officer last evening. As I said in our press release, Peter has done an outstanding job for Fairfax in numerous roles over the past 2 decades and fully deserves his appointment as our President.

In many ways, Peter has been the President of Fairfax for some time I said, it just took us a while to realize it. There is no one who represents Fairfax culture any better, smart, hard-working with no ego. Jen and I look forward to continuing to work very closely with Peter. So now over on to the call.

We had an outstanding year with record earnings of $3.4 billion, surpassing our previous high of $2 billion in 2019. Gross value per share grew by 34%, adjusted for our $10 per share dividend, a 34% growth in book value was a combination of record underwriting profit over $800 million and outstanding investment results. Our combined ratio for the year was 95%, despite another year of high catastrophe losses.

Gross written premiums were up 25% in the year, over 30% in the fourth quarter, with steady rate increases across all our major lines of business with the exception of workers' compensation. Our insurance and reinsurance businesses are growing rapidly all over the world. We wrote $23.8 billion in gross premiums in 2021, which was up over $4.8 billion from 2020, essentially all organic. It took us 18 years to reach $4.8 billion, we worked that in one year in 2021. Congratulations must go to all our presidents who produced this result, a decentralized approach works well.

As we have disclosed in our press release, Matthew Wilson, our President of Brit took ill late last year. He is undergoing treatment and we expect him to be back in 2022. Please keep him in your thoughts and prayers. We were fortunate that Martin Thompson, the former President of RSA Canada joined us and is the interim CEO of Brit. While Mark Allan was doing an outstanding job is building key, more on key from Peter.

All through 2020 on our conference calls, I had highlighted to you that as shown on Page 188 of our 2019 annual report or Page [2001] -- Page 201 of our 2020 annual report, there were only 4 years out of 34 years when we had a negative investment return. In each case, we rebounded significantly the next year. So for the last time from that table and your -- you've heard this many a time from me, 1990 our investment portfolios went down 4.4%, 1991, they went up 14.6%, 1999, down 2.7%, next year up 12.2%. 2013 down 4.3%, 2014 up 8.6% and 2016 down 2.2%, the following year 2017, up 6.8%, with only 4x that our portfolios went down in 34 years, that's all mark-to-market.

[indiscernible] worried about our investments and investment results were much better than expected. In the first quarter of 2020, as you know, we had a negative 3.6% return on our investment portfolio. But by the end of the year, our investment returns more than reversed and we ended the year with a positive return of 2.4%. Our investment return in 2021 was 9.2%, which resulted in a total investment return of $4.4 billion.

Please note that with half the portfolio earning nothing because it has cash and short-term securities. Of course, this includes $1.5 billion from Digit, where they have completed a significant portion of the announced $200 million capital raise at a valuation of $3.5 [billion]. Kamesh Goyal has done an outstanding job, business is growing at 30% to 40% per year and it's profitable.

Our history has shown that our returns are very lumpy and this has worked for us over the last 36 years. We have never focused on steady quarterly earnings, even though the stock market loves it currently. But we have increased our book value per share over 36 years at 18% per year and that's long term for you, 36 years. Here is one of major slide comes our positions I have done mark-to-market in our financial statements in 2020. Semper was up 81%, CIB Bank was up 18%, [indiscernible] was up 33%, IFL well 42%, BlackBerry 41%, the top 20 mark-to-market positions which we have to mark-to-market in our -- on our balance sheet is up 30%. Not included in the [indiscernible] our associates and consolidated investments, which we've begun showing you in our annual report last year and again it will be in this year's annual report.

Here's how these large positions is based in 2020. Eurobank up 53% at the score of 31%, Quest up 58%, Resolute up 134%, Fairfax India 31%, Recipe up 7%, Thomas Cook up 27% and on average, they were up 30%. I've mentioned to you that Greece is the best business-friendly country in Europe. Our Eurobank is now trading yesterday at EUR1.13 versus EUR0.89 at year-end 2021. That's up 27%. We just think it has -- still has a long way to go.

Our book value per share, as I said, was up 34% in 2021. However, this does not include the increase in our equity accounted investments and our consolidated investments, which are not mark-to-market. If you did mark-to-market, we would add $346 million or $15 a share on a pretax basis being the excess of fair value over carrying value as at December 31, 2021.

In the quarter, we recorded additional unrealized gains on Digit of $668 million and upon control and consolidation, which is subject to regulatory approval, we anticipate additional gains of approximately $400 million or $17 per share on a pretax basis. And these are added to our book value, of course, it's straight arithmetic, our book value will be -- from $631 per share to $660 a share.

As I've said previously, long-term value investing has gone through a very difficult time for about a decade now. Valuations of value-oriented stocks versus growth stocks, particularly technology have never been so extreme in the last few years, exceeding even the extremes of the dotcom era in 2000. As the economy continues to normalize and interest rates continue to rise because of inflation, we expect to reverse to the mean, with value-oriented starts coming to the fall.

We continue to believe our common stock positions are very undervalued. I remind you that in the 3 years and I've said this to you before, that in the 3 years, 2000 to 2002 downturn, most stock market indices were down about 50%, but our stock portfolio was up 100%. Throughout '20 and '21, I stated publicly that the market price of Fairfax shares was ridiculously cheap. In the fourth quarter, we had the opportunity to complete a substantial issue of purchasing and canceling 2 million shares at $500 per share, for a cash payment of $1 billion.

The substantial issue of bid was done in conjunction with a 9.9% sale of Odyssey Group for cash consideration of $900 million, which resulted in a gain of $429 million. Combined the 2 transactions were essentially capital and cash neutral for us. We were able to buy back 2 million shares at $500 per share, well below our current book value of $631 per share and the intrinsic value of our company is much higher.

Just to give you one example, our gross premiums were up 25% in 2021, but on a per share basis, which is what counts in the long-term, our gross premium per share, our gross premiums per share were up 38% because of the fact that we have reduced our shares outstanding by 2 million. At December 31st, 2021, the company's insurance and reinsurance companies held $24.9 billion in cash and short-dated investments, representing 50.3% of the portfolio investments, with only 100 basis point increase in interest rates, they've already done up 30 basis points, which would provide us with additional $250 million of additional investment income.

We continue to have approximately $1.5 billion at the holding company, predominantly in cash and short-term securities and our $2 billion bank line that is totally undrawn at year-end. Please note, our cash in the holding company, as I've said to you before, is to meet any and every contingency that Fairfax might face. We are not making any long-term investments with this cash other than to support our insurance and reinsurance operations if needed.

I will now pass the call to Peter Clarke, our President and Chief Operating Officer, to comment on our insurance and reinsurance operations. Peter?

Peter S. Clarke
President & COO

Thank you, Prem. Our companies continue to produce outstanding underlying results with strong organic growth. Our gross premium was up 32% in the fourth quarter and for the year premium was up 25%, generating gross premiums written of $23.8 billion. We finished the year off strong with a combined ratio in the fourth quarter of 88.1% and a combined ratio of 95% for the year. This produced record underwriting profit of $801 million, up 160% from 2020, despite absorbing over $1.1 billion of catastrophe losses in the year. It is expected that the industry will have an excess of $100 billion of catastrophe losses in 2021, the second highest ever.

By comparison in 2020, we produced an underwriting profit of $309 million, a 97.8% combined ratio, reflecting catastrophe losses of $644 million or 4.7 combined ratio points and COVID-19 losses of $669 million or 4.8 combined ratio points. In 2021, our combined -- our COVID-19-related losses amounted to $129 million. On the underwriting front, Zenith and Northbridge reported the lowest combined ratios for 2021 being 88% and 89% respectively, while Allied World also had a strong year at 93%.

Odyssey Group and Brit had elevated combined ratios still below 100%, driven by catastrophe losses. As mentioned, our gross premium for the year was up 25%, an increase of approximately $4.8 billion from the previous year. This growth was made possible by favorable market conditions that prevail in many of our markets, particularly in North America. Odyssey Group's gross premiums were up 29%, with continued expansion in both its insurance and reinsurance segments and ended the year strong with premium up 41% in the fourth quarter.

Allied World grew its premiums by 25%, with growth especially strong in directors and officers liability, professional liability and excess casualty segment. Brit's premiums were up 34% for the year, including key its innovative follow-on syndicate that started writing business in 2021. It should be noted that under accounting standards, Brit must consolidate 100% of Key's results as it has effective control of the company, even though it has less than a 50% economic interest.

Excluding Key's risk gross premiums were up 17%. In Canada, Northbridge increased its premium by 23% in US dollar terms, as it continues to register favorable rate increases, strong retention and a healthy growth in new business. Crum & Forster increased its top line by 20%, driven by its asset and health, commercial lines and surplus and specialty divisions. Growth at Zenith continued to be more modest, as it continues to face the headwinds of the competitive workers' compensation market in the United States. Our international operations continued its expansion as well with premium growth of approximately $524 million year-over-year.

Fairfax Asia's premiums were up 20% -- 27% this year and included 2 quarters from recently consolidated Singapore Re. Our companies in South America, Central and Eastern Europe and in South Africa all registered strong growth in the year.

Entering 2022 across most of Fairfax, we see significant opportunity for continued growth, while absolute rate increases will paper in some line, overall rate level is expected to remain attractive. Our management teams are focused in each of their companies on extending the gains made over the last several years.

As previously mentioned, our combined ratio of 95% included 7.2 points of catastrophe losses. Hurricane Ida, US winter storms and the European floods were the main drivers of the catastrophe losses, which resulted in losses of $408 million, 246 and $220 million respectively. Odyssey Group and Brit felt the effects of the catastrophe losses the most, adding 10 and 17 points on their combined ratio.

Brit had a very strong ending to the year, bringing its combined ratio down to 96.8% for the year. As mentioned previously, Key has consolidated into Brit's results. For the year, excluding Key, Brit's combined ratio was 95%. Key's combined ratio was 113.5% for the year as its earned premiums catches up with its underwriting expenses and its catastrophe losses.

We expect Key will increase Brit's underwriting profits over time and this began in the fourth quarter with Key posting an 88% combined ratio for the quarter. Mark Allan and his team have done an outstanding job in their first year of business. Both Brit and Crum & Forster completed loss portfolio transfers of prior year reserves in the quarter. The transfer of the reserves are accounting for as negative premium and reduced net written and earned premium for Crum & Forster and Brit by 358 and $344 million respectively.

Each company's combined ratio benefited by approximately half a combined ratio point for the year. For the year, our insurance and reinsurance companies recorded favorable reserve development of $356 million or 2.2 points on our combined ratio. This compares to $455 million or 3 points in 2020. For the full-year 2021, our favorable development includes $74 million of unfavorable development relating to changes in our COVID-19 ultimate losses from 2020.

As of the end of the year, we hold $417 million in net unpaid claims for COVID-19 losses, of which 71% is IBNR. We believe the reserve position in our operating companies continues to strengthen as we expand with today's well-priced business. Our expense ratio continues to benefit from the sharp increase in premium volume. Our overall underwriting expense is 1 point lower year-over-year, helped mainly by Allied World, where the expense ratio dropped 2 points in 2021 versus 2020.

All in all, we are very pleased with the performance of our companies in 2021. In the current year, market conditions remain attractive. We expect continued growth and the possibility of improved underwriting results. Our companies are very well positioned to capitalize on the opportunities within their markets. The decentralized operating system at Fairfax is critical to our success.

I will now pass the call to Jen Allen, our Chief Financial Officer, to comment on our investment results, our noninsurance companies performance and overall financial position.

Jennifer J. S. Allen
VP & CFO

Thank you, Peter. The strong results for the fourth quarter when combined with our first 9 months of 2021, resulted in a record year for Fairfax. We reported net earnings attributable to Fairfax shareholders of $931 million and just over $3.4 billion in the fourth quarter and full-year 2021 respectively, with book value per basic share at December 31, 2021, of $630.60, which represented a full-year growth in book value per basic share of 34.2%, which has been adjusted for the $10 per common share dividend that's paid in the first quarter 2021.

Peter has already provided detailed commentary on our insurance and reinsurance companies, so I'll begin my remarks on the results of our noninsurance consolidated companies. Looking at the fourth quarter of 2021 compared to 2020, excluding the impact of Fairfax India's performance fees, operating income of the noninsurance companies improved by $124 million, principally reflecting favorable results from our retail restaurant and retail segment, which benefited from reduced COVID-19 related lockdown restrictions, lower operating losses at Thomas Cook India, which also benefit from reduced COVID-19-related lockdown restrictions in India. And operating income in the Other segment in the fourth quarter of 2021 compared to an operating loss in the fourth quarter of 2020, principally reflecting the deconsolidation of Fairfax Africa and its subsidiaries on December 8th, 2020.

Turning to the full-year 2021 compared to 2020 and excluding the impact of Fairfax India's performance fees, operating income of the noninsurance companies improved by $257 million, principally reflecting improvement of $156 million of operating income from our restaurant and retail segment, which benefited from the reduced COVID-19 lockdown restrictions. Strong growth at Gulf town and the strengthening of the Canadian dollar compared to the US dollar, which was partially offset by lower government subsidies received in 2021 compared to 2020.

We had higher share of profit from Fairfax India's investments and associates, lower operating loss at Thomas Cook India, which benefited from reduced COVID-19 related lockdown restrictions in India and an improvement of $65 million of operating income in the Other segment in 2021, reflecting again the deconsolidation of Fairfax Africa on December 8, 2020, with this segment producing an operating profit for 2021, compared to the operating loss in 2020.

As noted in the full-year of 2021, Fairfax India recorded a performance fee, which was $85 million with pretax line attributed to Fairfax shareholders benefiting by about $60 million, as Fairfax India noncontrolling interest is allocated at 70% of Fairfax India's expense. At December 31st, 2021, the pretax excess of fair value over the adjusted carrying value of our noninsurance associates and certain consolidated noninsurance subsidiaries that the company considers to be portfolio investments was $346 million, which compares to a deficiency or an adjusted carrying value that was higher than the fair value at December 31, 2020, at $663 million.

A significant improvement in 2021 of just over $1 billion with the pretax excess of $346 million not reflected in our book value per share, but has been regularly reviewed by management as an indicator of the underlying investment performance. Our noninsurance associated accounted for $883 million of that appreciation, principally attributed to Atlas Corp. of $285 million, Eurobank of $278 million, Quest $208 million and Resolute $74 million, an improvement in the certain consolidated noninsurance subsidiaries of $126 million related to Fairfax India of $94 million and Thomas Cook at $59 million.

As we've mentioned before, we're focused on our organic growth supported by smaller friendly acquisitions with a commitment to growing long-term shareholder value. With our concern over inflation at December 31st, we continue to hold a significant portion of the portfolio in cash, short-term investments and other short-dated fixed income securities, that represented $24.9 billion or 50.3% of the insurance and reinsurance companies investment portfolio, which was comprised of $21.8 billion of subsidiary cash and short-term investments and $3.1 billion of short-dated US treasuries.

This dampened our interest income in the short-term, but has protected us from the impact of inflation in rising rates. Our interest and dividend income of $641 million in 2021 was down from the $769 million in 2020, primarily reflecting that strategy to invest in a shorter-term debt and not reach for yield, which resulted in the lower interest income earned, principally due to decreased sovereign bond yields, sales of US treasury bonds through 2020 and net sales of our US corporate bonds in 2021. This was partially offset by higher interest income earned on our first mortgage loans that were purchased in 2021 and increased dividend income from our common stock portfolio.

We added net purchases of first mortgage loans of $827 million in 2021, which are secured by high-quality real estate in the US, Ireland and the UK and have turned less than 5 years. These investments will provide some benefit to our interest income in the coming years, along with the benefit from the more recent rate environment. We'll be able to take advantage of the rise in the short-term interest rates, given the significant portion that we hold in the cash and short-term in the portfolio.

Looking to our consolidated share of profit of associates of $402 million in 2021, it reflected strong result from our investments in associates and were principally comprised of a share of profit of $162 million from Eurobank, $76 million from Resolute, $70 million from Atlas Corp. and $56 million from Gulf insurance. That compares to losses of $112 million from our investments in associates in 2021, that included impairment losses of $240 million and we had no impairment losses recorded in 2021.

Net gains on the investments in the fourth quarter of 2021 were $938 million and over $3.4 billion for the full-year of 2021. The net gains on investments in the fourth quarter of 2021 and full-year 2021 were primarily comprised of the following. The largest component of the net gains were net gains of $368 million and just over $2.3 billion from our equity exposures that reflected the following. In the fourth quarter, our net gains of $171 million on common stock that benefited from the appreciation in holdings such as commercial international bank and telco and $182 million of other equity derivatives, which were mainly our equity total return swaps, including the total return swaps on the Fairfax voting shares.

For the full-year, we had net gains of $1.3 billion on common stock that benefited from the appreciation of holdings such as telco, BlackBerry, limited partnerships in the US, Canada and Asia and $632 million on other equity derivatives that included our total return swaps again the Fairfax voting shares and our investment in the Atlas Corp. warrants.

Secondly, our net gains on investments included $668 million or just under $1.5 billion in each respective period on our investment in the Digit compulsorily convertible preferred shares, which I'll discuss in a moment. These net gains were partially offset by net losses of 116 and $287 million on the bond portfolio. That primarily related to our US and other corporate bonds. Couple of additional comments on our $668 million and the $1.5 billion unrealized gains that were recorded on our investment in Digit compulsorily convertible preferred shares.

If you recall from our prior quarter conference call, we hold a 49% equity interest in the associate Go Digit Infoworks Services or we refer to it as Digit who entered into the agreement with certain third-party investors, whereby its underlying insurance subsidiary Digit insurance to raise $200 million of new equity shares, valuing Digit insurance at approximately $3.5 billion.

In addition to our 49% equity interest in Digit as recorded under the equity method of accounting as an investment associate, we also hold the Digit compulsorily convertible preferred shares that are accounted for at fair value through profit and loss. Digit has now successfully completed a substantial portion of that $200 million equity raise, with the remaining tranches expected to close in early 2022 and are subject to regulatory customary closing conditions.

These recent transactions value Digit insurance at approximately to $3.5 billion, which is a company supported by an industry-accepted discounted cash flow model to incorporate unobservable discount rates and long-term growth rates. As a result, we've recorded the unrealized gains of $668 million and the $1.5 billion in the respective period. A few key transactions I want to highlight that were completed in the quarter, starting at our insurance and reinsurance companies.

On December 15, 2021, Odyssey Group had issued shares, representing an aggregate of 9.9% equity interest to subsidiaries of the Canadian Pension Plan Investment Board and OMERS, the pension plan for Ontario municipal employees for cash consideration of $900 million. That resulted in the company's recording an aggregate increase to common shareholders' equity of $429 million. And to note, there was no gain recorded on the remaining 90% equity interest retained by the company as Fairfax maintained control and continues to consolidate Odyssey Group.

At the holding company, on October 29th, Fairfax redeemed its $85 million principal amount of $4.12 -- 4.142 unsecured senior notes that were due on February 7, 2024, at par. And then on December 29, we completed our substantial issuer bid, pursuant to which we purchased and canceled the 2 million subordinate voting shares at the price of $500 per share for the aggregate cash consideration of the $1 billion that was recorded as a reduction to our common shareholders' equity.

Our liquidity position of the company remained strong with our cash and investments at the holding company of approximately $1.5 billion at December 31st. And we -- as we've noted before, that holding company cash supports the decentralized structure and will enable us to deploy capital to the insurance companies efficiently. We continue to be prudent on our capital deployment strategy with our total debt to total cap ratio, excluding the consolidated noninsurance companies, decreasing by 5.6% to 24.1% at December 31, 2021, from the 29.7% at the prior year-end, primarily reflecting a significant increase in our shareholders' equity that was attributed to the net earnings of just over the $3.4 billion and a reduction in debt at the holding company and our insurance and reinsurance operations.

Before closing, I wanted to provide an update on our commitment to ESG, which has been very meaningful for Fairfax since we began. As we've noted before, in 2020, we published our first ESG report that highlighted the importance and achievements we've made to date. Recognizing there's always room to grow and improve, we continue to enhance our initiatives throughout 2021 and we're pleased to say that we recently published an updated ESG report. The 2021 report is available on our website, which now incorporates an extended information on our investment processes, sustainable investments and sustainable investment initiative.

Before I turn the call back over to Prem, just wanted to remind everyone that in addition to the press release that was issued yesterday on the year-end results, Fairfax's 2021 annual report will be posted on the company's website on Friday, March 4. Thank you and I'll turn the call now back over to Prem.

V. Prem Watsa
Founder, Chairman & CEO
Hey, thank you, Jane. We look forward now to answering your questions. Please give us your name and your company name and try to limit your questions only one, so it's fair to everybody on the call. Okay, Britney, we are ready to -- for any questions that our shareholders might have.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Jaeme Gloyn from National Bank Financial.

Jaeme Gloyn
National Bank Financial, Inc., Research Division

Just wanted to get some clarity on the loss portfolio transfers. Can you just walk us through the strategy thinking and should we expect to see more of the stuff going forward? And little bit more color on that.

Derek Bulas
Associate Vice President of Legal

Terrific, thank you. Peter, you want to answer that question?

V. Prem Watsa
Founder, Chairman & CEO

Sure. Sure. Yes, no, we did 2 our portfolio transfers in the fourth quarter. They are really just one-off events. One was at Brit that we did is a third-party transaction. But with RiverStone International, who, of course, we know very well. Brit has done a number of transactions with them over the years. Potentially what it does is it allows, it frees up resources for their current claim staff to focus on growth and their ongoing business.

And it frees up capital as well as you're transferring the reserves to a third party. In the U.S., Crum & Forster also entered into a lot portfolio transfer, but that was with our RiverStone, our own internal LPT. And again, they transferred really reserves, free up resources. RiverStone had some excess capacity and specialized in construction risks and construction defect and also through Zenith and workers' comp claims.

So those were the reserves that were transferred to RiverStone.

Operator

Our next question comes from Charles Frischer from LF Partners.

Charles Frischer

Warren Buffett has written extensively about the importance of float. You said that even though float is a liability, if the combined ratio is below 100% exacting asset. The Berkshire has $130 billion and float against $700 billion in market cap. Our Fairfax has $26 billion in float against $13 billion in market cap and we are running at a 95% combined ratio. Can you tell us how you think about the value of float to Fairfax it's remarkable.

V. Prem Watsa
Founder, Chairman & CEO

You're exactly right, Charles, you understand it, $26 billion of float like just a significant number and a combined ratio is 95%. Our reserving is very strong. It just shows you how undervalued our company is. And that's why I've said we bought back a stock of 2 million shares. We'll continue to buy back stock. I mean we can't control the price of our stock. I said it's ridiculously cheap 2 years ago, said it again, and then we bought 2 million shares.

We will not do -- we're not looking at expanding as Jen said, we're not going to issue any shares or buy anything. First considerations on the buyback shares not at the expense of our financial position, not at the expense of taking advantage of the dropping casualty hot market. But we've grown by 25%, Charles, you know you follow these in Charles sub, you compare our growth to anyone else, all internal and you'll find that 25% is a very high number.

And we've got companies like Allied at $6 billion, Odyssey at pretty well $6 billion -- come at $4 billion, like we've got pretty significant company, but it's a decentralized structure. And we can take advantage of the opportunity as we see it, always looking after our customers because the price we're getting for our product is a bad price now. We are ready to take a risk. So yes, no, Charles, you're exactly right, $26 billion and a float the market we'll see it over time. Thank you, Charles. Next question please, Britney.

Operator

Our next question comes from Mark Dwelle from RBC Capital Markets.

Mark Alan Dwelle
RBC Capital Markets, Research Division

Yes. Good morning. I mean I did remiss [indiscernible] this is the best combined ratio I've seen in the 20 years that I've followed the company. So congratulations on that. But I wanted to focus on a couple of other items that were a little less attractive in the quarter. I want to start with the corporate overhead and other income expense line, much elevated compared to what the normal run rate was $183 million expense. Is there anything unusual or onetime in nature within that number?

V. Prem Watsa
Founder, Chairman & CEO

Yes, Mark, we'll answer that. But just for your information that combined ratio, you'll notice that the reserve redundancies were very limited and we've grown by, as I said, very significantly. If you go back in 2001, 2002 and 2003 the last time we've had a hard market like this, we've more than doubled our premium. And the reserve redundancies come over a long period of time. And we just think our company is so well reserved that the redundancies we will see for a long period of time.

And the combined ratio is a measure, it's a good measure, but it doesn't reflect the underlying value that's been created in 2021 to the growth that we've experienced. Peter, on to your end, on the expense question that Mark had.

Jennifer J. S. Allen
VP & CFO

Yes, sure. So in the annual report, there will be more details on that corporate overhead. So we'll refer you to the MD&A when that comes out, but high level that's that number includes our expense as a holding company and our insurance companies. It also includes things like goodwill and intangible assets that will be amortized through on acquisitions.

So on a year-over-year basis, really if you're looking at that it's probably driven mainly by the increase in some of the intangibles that have been amortized and some goodwill numbers that are being modestly impaired going through in the quarter on a YTD basis, it's partly offset by increased management fees that we've been able to obtain, given that we have a stronger investment portfolio that's actually offset in income. So it's a bit of a harder number to get, I appreciate that in the press release, but in the MD&A, as I said, there is a lot more details that will be provided.

V. Prem Watsa
Founder, Chairman & CEO

So Mark, yes, we had -- corporate overhead has broken very much, a lot of detail in our annual report and that's coming soon and we'll get all the details of Q1. Any further questions, Mark? Britney, next question.

Operator

Okay. And our next question comes from Greg [Campanian from Leucadia] Investments.

Unknown Analyst

Hello, Prem. Had a question on the Dutch auction. Can you hear me okay?

V. Prem Watsa
Founder, Chairman & CEO

Yes. Yes, I can hear you. Thank you.

Unknown Analyst

Yes, that was a great idea, but a comment, Computershare, I guess, they act as depository. So we had a problem with them and I would suggest maybe changing companies. From what I can tell, they never sent a letter of transmittal to shares held in their accounts in the US. I think they did in Canada, but not in the US. So I would just suggest changing companies for future transaction as a plan provider. The dividend, yes, that was great, we got our $10, still like to see like maybe a midyear special dividend of $10 for all the people that are holding Fairfax until they go to their golden coffins, yes, it's great to get to touch.

V. Prem Watsa
Founder, Chairman & CEO

Thank you for your comment. Would you be kind enough to say that the little note, if you don't mind, on your experience so that we can reflect on that. And okay, we'll check that out for you and make sure it doesn't happen the next time or see how we can remedy that. But in terms of dividend, we paid a $10 dividend, our focus is on buying our shares. We think it's like Charles Frischer though a fellow who said previously, we got $26 million in float and any time we can -- you can see all these numbers per share in the annual report, but any time we can buy back our stock, that's what we should do.

But -- and then in fact, we're doing that for you by buying back stock. So they're giving you a dividend, of course, not in the form of a dividend, but in terms of a buyback. But appreciate your question and we'll keep that in mind. Britney, next question, please.

Operator

[Operator Instructions] our next question comes from Mark Dwelle from RBC Capital Markets.

Mark Alan Dwelle
RBC Capital Markets, Research Division

I think I might have gotten cut off there before I got the chance to ask my second one…

V. Prem Watsa
Founder, Chairman & CEO

Thank you, Mark.

Mark Alan Dwelle
RBC Capital Markets, Research Division

So the second -- 2 other questions, well, actually third. One is if you did have any idea when the annual report was going to come due? But the more important question, I guess, I wanted to ask on the swaps related to Fairfax's own shares. I know a lot of those were on your swaps that you've taken out in the fourth quarter a year ago. Were those extended forward if the duration roll forward? Or they just open and low in?

V. Prem Watsa
Founder, Chairman & CEO

Yes, see annual report when is that again, now Jen, mark?

Jennifer J. S. Allen
VP & CFO

Friday, the March 4th.

V. Prem Watsa
Founder, Chairman & CEO

Friday, March the 4th, Peter, on the TRS swaps, we expect to extend number, Peter?

Peter S. Clarke
President & COO

Yes, they've been rolled and extended. So they're still out there.

V. Prem Watsa

Founder, Chairman & CEO

So Mark, any other comment you had?

Operator

I am still sorry, got his line off, Mark.

V. Prem Watsa
Founder, Chairman & CEO

Yes, no problem, Britney, he will come back again, if he had a question, but next question please.

Operator

Okay. Our next question comes from Lance Gad from Gad Family LLP.

Unknown Shareholder

Yes. We are a private charitable 501(c)(3) foundation in the US had a comparable tough with the deduction, it's our opinion that the dividend nature, the Canadian tax nature of the distribution wasn't really disclosed well to the authoring document. We tried to talk to author US Council for [Tory] in the U.S. They never return phone calls or e-mails. We send notes to Fairfax, no one ever reply to anything, turn out the Canadian, our broker withheld 25% of the dividend as a dividend, as a Canadian withholding tax, even though we are a US exempt charitable foundation. It's very, it turns out, it's a pretty difficult thing to fix, the brokers don't do it, accountants don't know about it. We ended up having to hire a specialist firm in New York to try to get the buddy back from Canada, stood a cost star fund 20% of the dividend withheld, our private foundation anyway.

The other person mentioned about depository trust or whatever. I think the whole thing was done very, very poorly from a legal and a disclosure standpoint. And I will tell you, I have been a member at the New York Bar for 52 years. So I have a pretty good -- about it.

V. Prem Watsa
Founder, Chairman & CEO

So we're very sorry, first of all, we're very sorry for your experience. We disclosed it in the offing circular, but please send a note to me directly and I'll make sure that we examine exactly what happened, if you would be kind enough to lay it out for me. We just saw that this -- this is a significant issue a bit, it's something that's done quite often. We are aware of the concerns, problems in the United States, but we would love you to send us a -- send me a note and I'll make sure we follow on and try as best as we can not to repeat that.

Unknown Shareholder

You don't disclose your email, your contact information on the website. So we didn't have.

V. Prem Watsa
Founder, Chairman & CEO

It's very simple, it's p_watsa, p_watsa@fairfax.ca.

Unknown Analyst

Okay.

V. Prem Watsa
Founder, Chairman & CEO

Okay?

Unknown Analyst

One other concern from the company standpoint, doing something without disclosure or whatever, you don't want to open yourself to a class action lawsuit for that and any way.

V. Prem Watsa
Founder, Chairman & CEO

On that front, we are not worried at all. We gave you a full disclosure, total disclosure, I talked about the stock being undervalued for 2 years. So we're not worried about that. Yes, I can't stop anyone from transaction lawsuit, but we were firmly, sure in our minds that we've disclosed every piece of information before making that substantial issue a bit. But let me respond to your note to me on an e-mail and then we'll take that forward. So thank you for your question. And Britney, next question please.

Operator

[Operator Instructions] Our next question comes from [Ankit Kabari], a private individual.

Unknown Attendee

Yes, like I have [indiscernible].

V. Prem Watsa
Founder, Chairman & CEO

Yes, thank you very much. Yes, Britney, next question, please.

Operator

Our next question comes from William Gilmore from Sickel.

William Gilmore

All right. It's good to hear things are going well, Prem. I've been following your stock, since I think the housing crisis with a value investment an update. I would be remiss in my duty and not doing my job if I didn't understand the investments I don't know. So it's too bad that the last caller had some issue about what may and not happen. And my only question for you guys is currently in your fixed income portfolio, can you estimate the duration?

V. Prem Watsa
Founder, Chairman & CEO

Yes, Peter or Jen on that duration question?

Jennifer J. S. Allen
VP & CFO

Yes, sure. So in the annual report, we will provide the duration on the fixed income portfolio. We're currently looking at probably a one -- less than one year, the $6 billion of the portfolio, you look kind of 1 to 5 years, it's about $7 billion and the rest of it makes us a residual 5 to 10 year position.

V. Prem Watsa
Founder, Chairman & CEO

Our brand portfolio is a very short term, with very little risk in terms of term. We think interest rates are going up. And we want -- we thought -- we weren't getting paid for taking interest rate risk. And so it's all pretty treasuries and very, very safe bonds and it's very short-term. Most of them are invested in 3 years in duration, less than 3 years in term and duration. And so it's a very short-term bond portfolio.

We will -- most companies I think in our industry have reached for yield, I don't think you'll find another company that say can 50% of its portfolio in cash and short-term investments. And we've been worried about this for some time and our interest income, we think will go up. But our bond portfolios will not go down, our capital will not be reduced because of rising interest rates and actual sales have already gone up by 30 basis points this year end.

Operator

Okay. Our next question comes from Ashwin Mudaliar from Edward.

Ashwin Mudaliar

Thank you and congrats on Mr. Watsa on the wonderful year, the amazing year.

V. Prem Watsa
Founder, Chairman & CEO

Thank you very much.

Ashwin Mudaliar

No problem. My question is about Fairfax India. We just -- is there a philosophical change in terms of willing to pay up for higher growth or low-risk investment? Or is it just of a factor of you having -- you have greater access to those companies, whereas competition in that area may not be as great for those unique assets. I was just wondering if there's a little bit of a difference in investment philosophy in India. That's my question.

V. Prem Watsa
Founder, Chairman & CEO

No, good question. No, their investment philosophy is the same. What we're trying to buy is good companies with great management who built the company, who want to continue to build it and what else as a partner. We're not looking at companies that are run by people who want to sell it in 3 years or 4 years, we're not private equity. And we want to be partners with founders and people who have owned a big share of the company and we want to build it and that's what we've done.

If you look at the investments that Chairman and I group in India have done, it's basically linked to founders. In fact, today, there's a company that press release went out [Genx], I think we bought 70% and with the condo happy about 30% and we got a terrific track record 10, 15 years entrepreneur, built it from scratch, want to continue to build a company and we'd be a good partner for people like that.

Ashwin Mudaliar

Got it. Got it. I guess over the rational -- sorry, go ahead.

V. Prem Watsa
Founder, Chairman & CEO

Go ahead.

Ashwin Mudaliar

Just in terms of, I guess, a greater willing to pay up for high ROIC companies over there. Just in terms of the valuation side, basically justifiably paying up for those different types of businesses that have, I guess greater reinvestment characteristics or growth characteristics.

V. Prem Watsa
Founder, Chairman & CEO

Yes, we look at all of that. We take that into account. If we can -- in India, the reason we like India is -- the heavy company tends to grow at 30%, 40%, 50%. India is going to rebound significantly, Thomas Cook, which went through a really tough time with tourists to India and domestic pretty well done by [Zabel], that's going to bounce back tremendously and companies in the restaurant business like in Canada Recipe and companies like [Basel] bounce back here.

Our Fairfax India has a book value posted net asset value close to $20, which we think is good serve at. And the stock selling at 12% to 13% and as you've seen in the press release, we continue to buy back the stock. So Fairfax India continues, they reduced the shares outstanding at these good prices we think.

So we're looking at it over the long-term and we've got a very good group of companies that have performed well in the main and that we expect to benefit. The shareholders of Fairfax India will benefit over time. India is going to be a terrific place to with money. As we normalize, as everything becomes normal, strong economy, inflation, some rising interest rates, countries like India are going to do very, very well. They're going to bounce back in space, 9% economic growth, 8% perhaps even 10%.

And in that economic -- and that's real, not concreting inflation and that type of economic environment, individual companies do very, very well. Tiffany, next question, please.

Operator

[Operator Instructions] Okay. Our next question comes from [Venkat Prabhakaran], private individual.

Unknown Shareholder

Hello? Can you hear me?

V. Prem Watsa
Founder, Chairman & CEO

Yes, yes, we can hear you. Please go ahead.

Unknown Shareholder

Yes, Hi, Prem. I'm new investor with the company for the last 2 years and not a sophisticated investor at also pardon me if the question might sound a little dumb, but I'm trying to understand the transaction that Fairfax did with Odyssey and then use the capital to pursuit the stock. So am I correct to understand that Fairfax sold 10% of Odyssey for almost $1 billion and then you just proceed to -- does that not make Odyssey worth say $10 billion and the whole company Fairfax is trading at around $18 billion?

V. Prem Watsa
Founder, Chairman & CEO

Well, that's right. It's -- that's one of the reasons we did the transaction, of course. But you can see how undervalued Fairfax was, just honestly just one company and they are very perceptive and your reasoning is right on. That's how we saw it too.

Unknown Shareholder

So I mean I'm just -- I'm still shocked that's possible in today's market, but thank you for doing that and I think that was a great move. So are you guys planning to do such transactions in the future? Because I personally don't think that you should be worried about the dividend here at all if your stock is trading this cheap. So are you guys thinking about such transactions, like is the management sort of focused on taking advantage of this undervalued stock?

V. Prem Watsa
Founder, Chairman & CEO

Of course, I told you, we'd buy back stock not at the expense of our financial position and not at the expense of capital to take advantage of this -- of the hard market. So really what -- we're a very nimble entrepreneurial company, you saw that in our decentralized insurance operations. We somehow -- we expanded significantly more than pretty well any company in North America.

And you'll see us take advantage of opportunity, but not at the expense of our financial position and not at the expansion of our ability to take advantage of a good insurance market. Next question, please Tiffany.

Operator

There are no additional questions at this time.

V. Prem Watsa
Founder, Chairman & CEO

So thank you very much, Tiffany and thank you all for joining this call. We will look forward to further questions and thank you again for joining this call. And we will -- we're having our AGM soon in April and with a little bit of luck, it's going to be in-person AGM and we invite you all if you can to join us. So thank you all for joining and thank you, Tiffany.

Operator
Thank you for listening in today's conference. All participants may disconnect at this time.