S&P Global
Market Intelligence

Fairfax Financial Holdings Limited

TSX:FFH

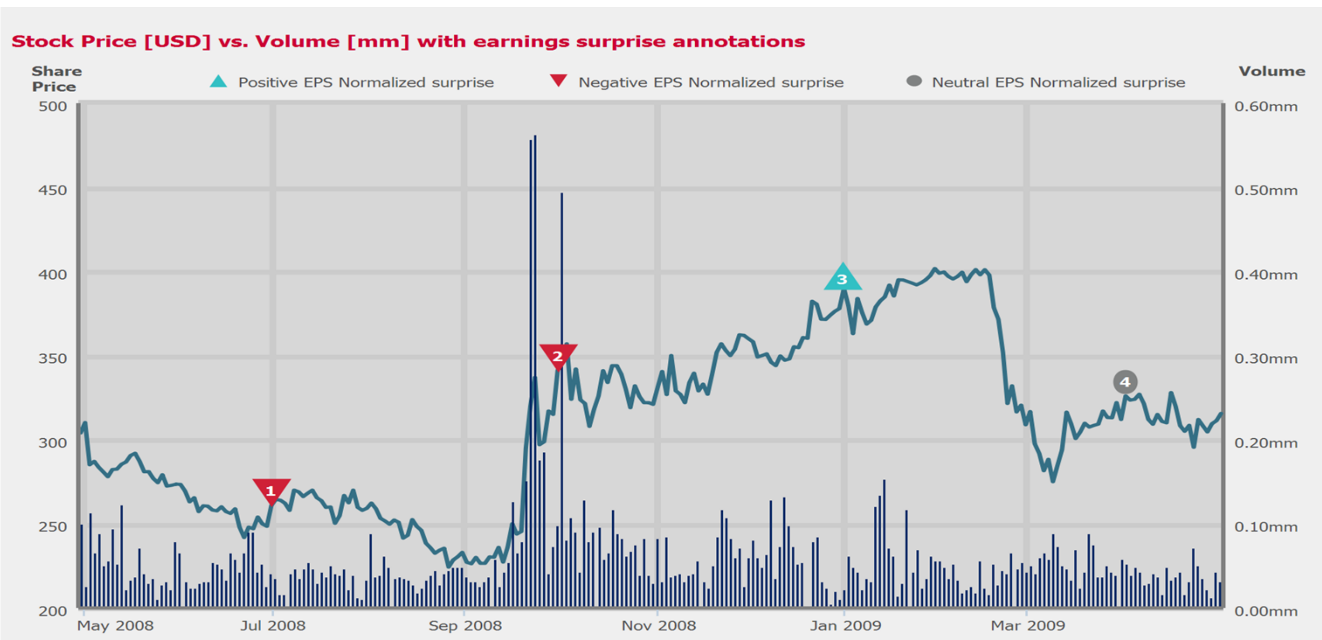
FQ2 2009 Earnings Call Transcripts

Friday, July 31, 2009 12:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2009-			-FQ3 2009-	-FY 2009-	-FY 2010-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	6.06	15.56	▲156.77	6.24	19.13	29.97
Revenue	-	-	▲8.45	-	-	-
Revenue (mm)	1600.30	1735.50	-	1623.80	6188.95	6524.90

Currency: USD
Consensus as of Jul-31-2009 10:03 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2008	6.97	6.08	▼1 (12.77 %)
FQ3 2008	4.00	2.24	▼2 (44.00 %)
FQ4 2008	12.92	19.62	▲3 51.86 %
FQ1 2009	6.70	(3.55)	NM

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Call Participants

EXECUTIVES

Bradley Martin

Greg Taylor

Prem Watsa

ANALYSTS

Jeff Fenwick
Cormark Securities

Mark Dwelle
RBC Capital Markets

Paul ONeill
Talisman Global Asset Management

Ryan Pinton
Scotia Capital

Steve Kobey
SSJAC

Presentation

Operator

Good morning and welcome to Fairfax's 2009 second 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. (Operator instructions) Your host for today's call is Prem Watsa, but Brad Martin will make a brief statement first. Please go ahead, Mr. Martin.

Bradley Martin

Good morning. Welcome to the conference call to discuss Fairfax's second quarter 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 the available on our website at fairfax.ca, or set out under Risk Factors in Fairfax's base shelf prospectus, filed with the securities regulatory authorities in Canada and the United States, which is available on SEDAR and EDGAR.

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

Prem Watsa

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

As you know our results are lumpy. In the second quarter of 2009, we earned $275.4 million after taxes or $15.56 about $15.5 a share. Book value per share was $316 as of June 30, 2009, which was up 16.4% from December 2008, including the common share dividend of $8 per share paid in the first quarter, or 23.9% from March 31, 2009.

Highlights during the quarter include our consolidated combined ratio was 98.4% with good reserving and our companies were well capitalized. Northbridge had a combined ratio of 105%, mainly due to large property losses at one of its subsidiaries and Crum & Forster was impacted by maintaining its underwriting discipline in a continuing software market and declining economy.

While interest and dividend income increased over the second quarter of 2008 by 12% to $185 million, on a tax equivalent basis given we owned $4.4 billion of municipal and other tax advantaged bonds, interest and dividend income was up 29% on a tax equivalent basis to approximately $216 million.

Interest and dividend income has never been higher in the past five years. Interest and dividend income is expected to grow significantly in 2009, as we have taken advantage of record spreads in the fixed income area. We had another than temporary impairment or OTTI charge of $118.4 million in the second quarter.

As we have mentioned to you these charges are based on accounting rules and are not based on underlying intrinsic values. As long-term investors, we expect to make a return over 3 to 5 years as opposed to the short-term. Accounting rules reflect the short-term fluctuations in stock prices through OTT I charges to earnings.

These are unrealized losses and we are yet to sell these underlying securities. Our balance sheet however is basically mark-to-market and thus our key focus is not on earnings, but on growing book value over the long-term at a rate of 15% per year. As you know, we prefer a lumpy 15% to a smooth 12%.

Our holding company cash and marketable securities increased to $863 million in the second quarter as there were no significant users of holding company cash in the quarter. There was very little activity in our CDS holdings in the second quarter, while we still have $5.8 million notional amount in CDS with a market value of $158.4 million as of June 30.

As I have said earlier, we think the CDS game is over and we are simply selling the remnants n the marketplace. The stock market continues to be very volatile and as I mentioned to you at our annual meeting and in our first quarter call, our investment portfolios and book values will also be volatile in the future, due to the significant common stock positions, we have purchased in the last quarter of 2008 and the first quarter of 2009.

You can see the volatility as our book value per share went from $278 per share at the end of 2008 to $255 per share at March 31, 2009 to $316 per share, June 30. We think five years from now, if we have chosen properly, our book value will be up significantly because of the high quality common stock that we have purchased earlier at very attractive prices.

On June 25, 2009 the New York regional office of the SEC informed us that its investigation at the Fairfax had been completed and that it did not intend to recommend any enforcement actions by the FDC. There are still more comments before I pass it over to Greg.

The insurance market does not show any signs of turning, even though the industry suffered significant losses in 2008. All our companies are well positioned to take advantage of the market turn when it takes place. If it does not take place in 2009, which appears likely, our written premiums will continue to shrink in 2009.

We think we are in a long and deep recession, with many unintended consequences. But as value investors, we continue to see some excellent opportunities and common stocks and bonds and we're taking advantage of them. This is a market of stocks and bonds and for those willing to look there continues to be many long-term opportunities available.

The current period reminds us of the 1975 to 1996 time period. We had many ideas then and it is no different now. Now I would like to turn it over to Greg, so he can give you some more information on the underlying financials.

Greg Taylor

Great, thank you Prem. First, we will review the Fairfax consolidated financial results then a few notes on financial results for our operating companies and finally a word on our financial position.

So, starting with Fairfax consolidated results for the second quarter of 2009, as Prem said, we had net earnings of $275.4 million for the quarter, fully diluted EPS of $15.56 a share. For the six months, we are $215 million in net earnings, $12.02 per share fully diluted.

Prem noted the book value per share changes, I will just mention them again, $315.91 at the end of quarter. The change has Prem said adjusting for the $8 common share dividend that we paid in the first quarter; year-to-date book value per share is up 16.4%. The change in the second quarter alone was 23.9%.

Just a brief review of the sources of those earnings as we customarily do, first in terms of underwriting, we had very favorable underwriting results in the first quarter with underwriting profit of $17.3 million in the second quarter and a combined ration of 98.4%.

In the six-month period, we had underwriting profit of $32.4 million and a combined ratio of 98.5%. Second element of note is our interest in dividend income; we had $184.5 million of interest and dividend income in the second quarter that is up 12% on a year-over-year basis.

Our pretax annualized portfolio yield in the second quarter was 3.89% that compares to 3.38% a year ago. Also note that as Prem noted that on a tax equivalent basis because of the $4.5 billion in municipals that we own, our f tax equivalent yield for the second quarter is in the order of 4.5% compared to that 3.89 actual pre-tax yield.

Third element being investment gains, we had $330 million in net investment gains in the quarter that compared to $631 million in the year ago quarter of course in that very big investment here. In the current quarter, I will note that the S&P 500 rose by 15.2% on a price basis.

And obviously, this had a pronounced effect on our investment portfolio and I will give you more detail on a minute on what it did to the unrealized gains in our portfolio. Looking to underwriting a few more points of note here, as I said combined ratio for the second quarter was 98.4%, for the six months 98.5%. Some of the elements it was actually up kind of a quite quarter in underwriting. In terms of catastrophe losses in the second quarter, we had modest losses for us historically; we had $27.8 million in losses that was about 2.6 points of our 98.4 combined.

On a six-month basis, we had $74.6 million of catastrophe losses about half of that was the first quarter's European windstorm Klaus loss. And so for the six months of our 98.5 six-month combined ratio cat losses were 3.4 points there.

In terms of reserve development on prior year’s reserves, again only a modest impact in the quarter. In the second quarter, we had net favorable development of $5.1 million that is about one half of one combined ratio point benefit to the company. On a six-month basis, again we had net favorable development on prior years reserves, $23.3 million and that represented 1.1 combined ratio point benefit in our 98.5 reported combined ratio for the six-month period.

On an accident year basis, in the second quarter, we had a 98.9 accident year combined. For the six months, we had a 99.6 combined ratio for the six-month period. For those that track the accident year combined, excluding the cat losses, for the second quarter we are 96.3%, for the six months, we are 96.2% as we say, overall very encouraging underwriting performance for the quarter and for the six months.

It is obviously a very tough underwriting market out there in terms of first pricing behavior by our competitors and also in terms of obviously the economy’s impact on our customers. As a result, as we have reported to you in recent quarters and as Prem just mentioned this market leads us to emphasize underwriting discipline over volume and growth and as a result we reduce our volumes.

The result on our premium volumes was as follows for the quarter and the six months. For the second quarter, gross premiums written were down 4.5%, net premiums written were down 4.8%. For the six months, our gross premiums written were actually up by 2.6%, some of that up had to do with advent and reinsurance to close premiums in the first quarter.

Net premiums written for the six-month period were down by two-tenths of 1%. So, you can see the impact on our volumes of the economic conditions and the soft market conditions. Just a couple of brief things on investment income, I think I've talked enough about the yield aspects.

In terms of the net investment gains that we reported, again those were $330 million in our net earnings statement. Almost 300 million of that was on bonds of the 330 noteworthy. Number two point of note, Prem mentioned the OTTI charges, so that was - so that 330 was after we recorded $118 million of OTTI charges during the quarter.

Most of those charges related to equity holdings. Another point of note is that I talked briefly about -- I mentioned the change in unrealized gains on our available for sale securities. So n a pretax basis, we had in excess of $1 billion or $708 million after-tax and after minority interest increase in unrealized gains on available for sale securities.

Again that was principally on equities, but their results saw a significant appreciation on our bond portfolio. And this increase in unrealized gains, you can see it; it comes through other comprehensive income and from there into the balance sheet in accumulated under comprehensive income.

And it was this investment performance both the 313 in gains that went through the earnings statement, plus the free tax more than $1 billion in increase in unrealized gains and to the balance sheet as the after-tax 708. These two combined were the big driver of the almost $61 a share increase in our book value per share in the second quarter. And as Prem said that was about a 24% increase in book value per share since the end of the first quarter.

Turning to our operating income company results, Odyssey Re had a very solid quarter in the second quarter of 2009. Odyssey had underwriting profit of $16.6 million, a combined ratio of 96.5%. Six-month results also very good, underwriting profit $32.9 million, combined ratio of 96.5%.

Second-quarter US GAAP earnings for Odyssey, a $123 million reflecting the very positive underwriting results and also like Fairfax overall, the strong investment performance. Similar to Fairfax numbers wise Odyssey had EPS on a US GAAP basis in the second quarter of $2.03, but Odyssey's book value per share increased by $8.10, thanks to the investment performance.

This increased Odyssey book value per share to $51.90 at June 30, 2009, which is an increase of 18.5% in the second quarter alone. Odyssey is not immune to the challenging marketing conditions around the world and notwithstanding its very fine underwriting results.

Odyssey reached gross premiums written declined by 10% in the second quarter and you will see that gross premiums written declined in the Euro Asia, the London market and the US insurance divisions, but rose in the Americas division. One last note in terms of capital in the second quarter, Odyssey repurchased about $1.2 million of its own common shares for cancellation.

This brings Fairfax ownership to about 72% at the end of the second quarter. After that, Odyssey's shareholders equity is still in excess of $3.1 billion and that compares to $938 million in net premiums written in six months. So, you can see the underwriting leverage there.

Obviously, Odyssey is very well capitalized to compete relative to its peers. Just remind you that you can hear more about Odyssey Re's very strong second-quarter results. On the Odyssey Re conference call at 10 AM eastern time this morning. Crum & Forster had a challenging second quarter as well as second-quarter underwriting loss of $4.7 million, combined ratio of 102.4. Six-months results at Crum underwriting loss of $4.3 million, combined ratio of 101.1.

Again these underwriting results were shaped by, number one, the challenging conditions in US domestic commercial lines markets and the pricing challenges in particular and number two, Crum & Forster's nonrenewal of some standard lines business and this represents the underwriting discipline that Crum and Fairfax believe has called for in these market conditions.

The result has been a sizable decline in Crum & Forster's premium volume. In the second quarter, gross premiums written declined by 14.8%, net premiums written declined by 19.5%. For the six-month period, Crum's gross premiums written declined by 18.8% and its net premiums written declined by 22.9%.

Two byproducts to note for you in-light of these premium declines, one is that operating expenses spread over this lower premium base is going to produce an expense ratio impact and you'll see that Crum's expense ratio was 34.4%. So it is elevated reported combined ratio relative to Crum customary performance.

Some of this is because of the expense ratio. The loss ratio trends are not acting like the expense ratio is. So again, it is the effect of low premium base in the operating expenses at Crum. The second takeaway is in terms of capital. Crum at the end of the second quarter had $1.3 billion in statutory surplus, in relation to those lower premium ratings.

So, obviously never capitalized. I might mention that this $1.3 billion is after Crum paid a made $100 million dividend to Fairfax in the first six months. So bottom line Crum is very well capitalized, well positioned to expand its business went Crum management feels it is appropriate to do so.

Northbridge, the second quarter and the six-month story is not dissimilar to Crum. Some very challenging market conditions in the Canadian commercial lines markets. In the second quarter of 2009, Northbridge had a $12.1 million underwriting loss that included about $8 million of large losses in its large accounts lines.

The second-quarter combined ratio at Northridge was 105.1. On a six-month basis, Northbridge had a $16.2 million underwriting loss and a combined ratio of 103.5. So again, challenging market conditions in the Canadian commercial lines markets and Northbridge's underwriting discipline in response to that are very much in evidence in Northbridge's results and also in its premium volumes.

In Canadian dollar terms, the premium volume impact at Northbridge in the second quarter, gross premiums written declined by 6.3%, net premiums written declined by 7.1%. On a six-month basis, gross premiums written and Northbridge are 5 .5% and net premiums written were down by 7.9%.

Again like Crum Northbridge is extremely well-capitalized and positioned for a turn in market conditions. At the end of the quarter, Northbridge had 1.3 billion Canadian in shareholders equity and again compare that to net premiums written of Canadian about $560 million for the six months.

So, in terms of underwriting leverage, the annualized writing is at less than a one-to-one ratio at Northbridge, just as it is at Crum. So Northbridge also finds itself very well positioned to expand its business when Northbridge management judges that market conditions are right to do so.

Just quickly on some of our other operations. Fairfax Asia continues to grow and very profitable. Combined ration in the second-quarter at Fairfax Asia was 92.7% and that follows a 92.2% combined in the first quarter. Premium growth continues at First Capital Insurance in Singapore.

Net premiums written where up almost 40% in the second quarter and they are up 60% in the six-month period. Our reinsurance segment reported favorable second-quarter results as well. The combined ratio for the segment was $89.4 and that the constituent companies in that advance reported a 75.1 combined.

Group Re 99.4, Polish Re 98% combined ratio for the second-quarter. So our newer companies have made an immediate impact on Fairfax's results in several respects. First, they had added meaningfully to our consolidated premium volumes at a time at Odyssey, Crum, and Northbridge have declined in the soft market.

Second, these companies have contributed profitable underwriting year-to-date. And finally, these companies have extended Fairfax's geographic diversification in terms of our sources of our premium and the spread of our insured risks.

Very briefly on financial position now to wrap up, it was so quiet quarter after we had quite an active first quarter in which we acquired the remaining interest in Northbridge that we did not own, so that we own 100% of Northbridge. And in the first quarter, we also acquired Polish Re 100% interest.

In Q2, not a lot of activity, highlights are as follows, our holding company liquidity remains very strong, almost no change from the first quarter. We have cash and marketable securities at the holding company up $880 million, $863 million net of liabilities.

This $880 million or the $863 million, just note for you, is greater than the $858 million and Fairfax bonds that are outstanding, very important to note. All of our capitalization ratios remain very strong. At the operating companies, as I have shown you all the companies have very strong capital ratios.

On a consolidated basis Fairfax's shareholder's equity increased to $5.6 billion from $4.9 billion at the year-end. That is up 13% year-to-date. As a result, you'll see that Fairfax's debt-to-capital ratio improved to 22.6% that was 23.7% at 2008 year-end.

And then finally our debt maturity profile, you will see that we have no major debt maturities until 2017. Obviously, we have very low refinancing risk in these markets in addition to our very substantial cash resources at the holding company.

Prem that's it.

Prem Watsa
Thank you Greg, a very comprehensive overview. Now we are 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 is fair to all in the call. So, Rosie we are ready for questions.

Question and Answer

Operator

(Operator instructions) Our first question comes from Jeff Fenwick of Cormark Securities.

Prem Watsa

Good morning Jeff.

Jeff Fenwick
Cormark Securities

Good morning. I just wanted to ask you about your P&C operations, as you stated you try to be more conservative in the way that you're writing your business and pulling back where you don't see a lot of profitability in markets, but Crum and Northbridge both had over a 100% combined ratios, you know how much of that is just aspects of the environment that are not under your control versus, what do you think you could with respect to getting yourself closer to profitability in those operations?

Prem Watsa

Sure. The point to make is, we are in a tough market here. As Greg said, in the case of Northbridge they had a few property losses plants -- was burnt down and our building was burnt down those are significant loses in the single quarter, they can happen at anytime Jeff. And in the case of Crum they are focused on underwriting discipline.

So, we are actually quite happy with the underwriting discipline that our companies are exhibiting at this time of the recycle and our reserves are excellent. What we do is, we don't provide any guidance as you know, but at the end of the year, we will review our results and then see how the year developed and review our reserve position, but we like where we are on our reserving and our companies are demonstrating tremendous underwriting discipline, which is exactly what they need to do at this part of the cycle.

Jeff Fenwick
Cormark Securities

Okay great and one other question I have, on your net gains -- net gains on investments, Greg you described it was 300 million came from bond sales, can you spend a color on the type of bonds that were in there that you were selling?

Greg Taylor

Not all of them are from selling. So the net gains that go to the P&L. It is a mix of realized gains, but also unrealized and held for trading securities. So, it is a mix, you know what we hold now is obviously vastly increased municipal bond holdings $4.5 million, we have decreased holdings of government bonds, but we have significantly increased holdings in the corporate bonds as well.

And I will just point to you that any corporate bonds of municipal bonds for that matter that have features such as puts, calls, extendable features all of those in accounting terms are viewed as embedded options and therefore those bonds get classified has held for trading securities and any change in value in those particular bonds go through the P&L instead of through OCI.

So, good portion of that, it was a $295 million in net gains on bonds. A lot of that is a change in unrealized. In fact, the vast majority of our $330 million in net investment gains was unrealized appreciation. We haven't done a lot of selling at this point that you can see that if you can ferret that out in the investments notes, which have expanded again. Thanks to recent GAAP announcements.

So that is how you should look at that. It is across the spectrum of bonds that we own and most of it is unrealized.

Operator

Our next question comes from Mr. Ryan Pinton [ph] of Scotia Capital.

Prem Watsa

Good morning Ryan.

Ryan Pinton
Scotia Capital

Good morning. With respect to Crum & Forster and Northbridge, can you provide some color as to what to the expense ration was in Q1 and Q2 and what plan the company has to do with the increase moving forward?

Prem Watsa

This is the expense ratio you are thinking of Ryan?

Ryan Pinton
Scotia Capital

Yes.

Prem Watsa

Yes. So, in a tough market Ryan what you have of course is your topline, the premium that we write are coming down and we expect our expense ratios to go up and we don't look at reducing our staff or -- in any significant way. So, our expense ratios do go up, but our idea is to maintain the talent that we have, so that when the cycle turns, there will be a time when it turns, we don't know when, but when it turns, we can take advantage of the cycle. So, our expense ratio in the soft part of the cycle will go up, just because the topline goes down.

Ryan Pinton
Scotia Capital

Great. Thanks.

Operator

(Operator instructions) Our next question comes from Mr. Mark Dwelle of RBC Capital Markets.

Prem Watsa

Good morning Mark.

Mark Dwelle
RBC Capital Markets

Good morning. A couple of questions. I noticed that you increased your stake in International Coal Group; I was wondering if you could just describe that investment in a little more detail? And then second question would be, we hadn't heard an update on ICICI Lombard in a while, I was wondering if you could just talk through how things are progressing there?

Greg Taylor

Good Mark, on the International Coal, we have I think in excess of 20%, so we are equity accounting it. You know we don't comment too much on any individual investment, just to say that it fits very simply our long-term value philosophy to where buying it we think at a significant discount to what the companies want. And on the other - but on the other hand we are looking at it Mark over, you know three to five years and fluctuations in the stock price can be significant in the short-term.

On ICICI Lombard that company has -- first of all on the property cash of the business in India that has been growing significantly in the past, but in the last year, it has been just about flat and hasn't grown significantly and ICICI Lombard is also focused on underwriting profitability and with good reserving and so they continue to be, Mark the number one company in -- private company, private insurance company there are a few government companies that are bigger, but they continue to be the largest private insurance company in India and they have a - that is a fast distribution network, tremendous underwriting and claims skills that they have developed.

So, we are very happy with our investment there. 26% the government hasn't raised it, there is talk about it going up to 49% but hasn't happened. And we are very pleased with our investment in ICICI Lombard.

Mark Dwelle
RBC Capital Markets

Okay thanks those are my questions.

Greg Taylor

Thank you Mark. Next question Rosie.

Operator

Our next question comes from Mr. Paul ONeill of Talisman Global.

Greg Taylor

Hi Paul.

Paul ONeill
Talisman Global Asset Management

Hi can you hear me?

Greg Taylor

Yes we can.

Paul ONeill
Talisman Global Asset Management

Great. I just wanted to ask, the state of book value is at the end of June, I did not know whether you had got a sense of where the book value might be at the end of July given the move the markets? And also whether you have the sense of if you can say what kind of price-to-book you think Fairfax should trade at, whether it is one times, one on a quarter times that kind of thing?

Greg Taylor

Well on the second question Paul that is for you to a judge, you can well appreciate that, we will leave that to our investors to figure out. On the first one, you know our book value was approximately 316. We did make the point that it moves with the stock market, well the stock market has gone up about 6% to 7%, and so you can do the math Paul, but the reason we mentioned that in March was that it was very significant -- given at the end of March, the change was very significant from the end of March.

Greg Taylor

But now it is a continuation of what has happened in the second quarter. So we haven't given you an update, but the idea that you know is very simple to define what the changes in the market values are?

Paul ONeill
Talisman Global Asset Management

Okay, so simple as that if the market moves x percent, your book value will move x percent as well?

Greg Taylor

Yes, you have to work it through the common stock portfolio and then if you make the assumption that are common stocks have done as well, you'll get a good sense for our company's book value. Our company's book value now as I have said, will be more volatile because we have got a significant amount of common stock investments. We bought it in the fourth quarter of '08 first quarter of '09 and we expect four or five years from now that our shareholders and us are going to be happy with that, but in the meantime that is going to be volatility.

Paul ONeill
Talisman Global Asset Management

Okay great. And in terms of some pricing within the insurance market and the reinsurance market, what kind of things would make you far more confident that the market is hardening?

Prem Watsa

Well, it is just the fact that prices go up Paul. If prices go up these are the rate increases for insurance. In a hard market the rates go up and we have the capital, we have the management team, we have a track record that we have demonstrated that when the hard market comes we react and we react significantly, but till the hard market arrives we basically stay put or come down a little 5%, 10% in terms of our premium, which is what is happening right now.

Paul ONeill
Talisman Global Asset Management

Okay. All right, thank you very much.

Prem Watsa

Thank you Paul. Next question Rosie.

Operator

Our next question comes from Steve Kobey [ph] of SSJAC [ph].

Prem Watsa

Hi good morning.

Steve Kobey
SSJAC

Just a question for you, what is your thinking in terms of stock market valuation at this time and also what is you thinking about hedging and whether you would consider re-hedging the stock market portfolio in the future?

Prem Watsa

This is something we think about all the time and we like what we bought, we think they are very good values. We think four, five years from now -- like I said earlier, our shareholders and us would be happy with where the stocks have gone to, if they had chosen properly. But in the meantime there could be volatility, we made the point in our annual meeting that 80% of the economy is private in America and it is deleveraging, all individuals are saving and increasing savings rates and reducing consumption.

But, the government is providing a lot of stimulus and that has some impact, but in six months or a year, our concern is that that impact may wear off and then the economy might be in a more difficult state. So, this is something you just have to monitor and we monitor it.

Our companies though are very sound, broadly speaking we have a very significant, you know very high-quality companies, big companies, financially sound, dominant market positions that we bought at attractive prices. Some of the ones that where not that way, we have taken our lumps on it, we have had other than temporary impairment or mark-to-market losses that we have written off.

I think Greg in last year 2008, we wrote about a billion dollars and another 300 million in the first quarter -- the first half. So, we like -- our balance sheet is very strong and -- but as far as the hedging is concerned it is something we keep watching, we haven't hedged at this time.

Steve Kobey
SSJAC

Thank you.

Prem Watsa

Next question Rosie.

Operator

There are questions there are no further questions at this time.

Prem Watsa

Well, Rosie, if there are no more questions, thank you all for joining us on this call and we look forward to presenting to you again after the next quarter. Thank you.

Operator
Thank you for joining today's conference call. You may disconnect at this time.