S&P Global
Market Intelligence

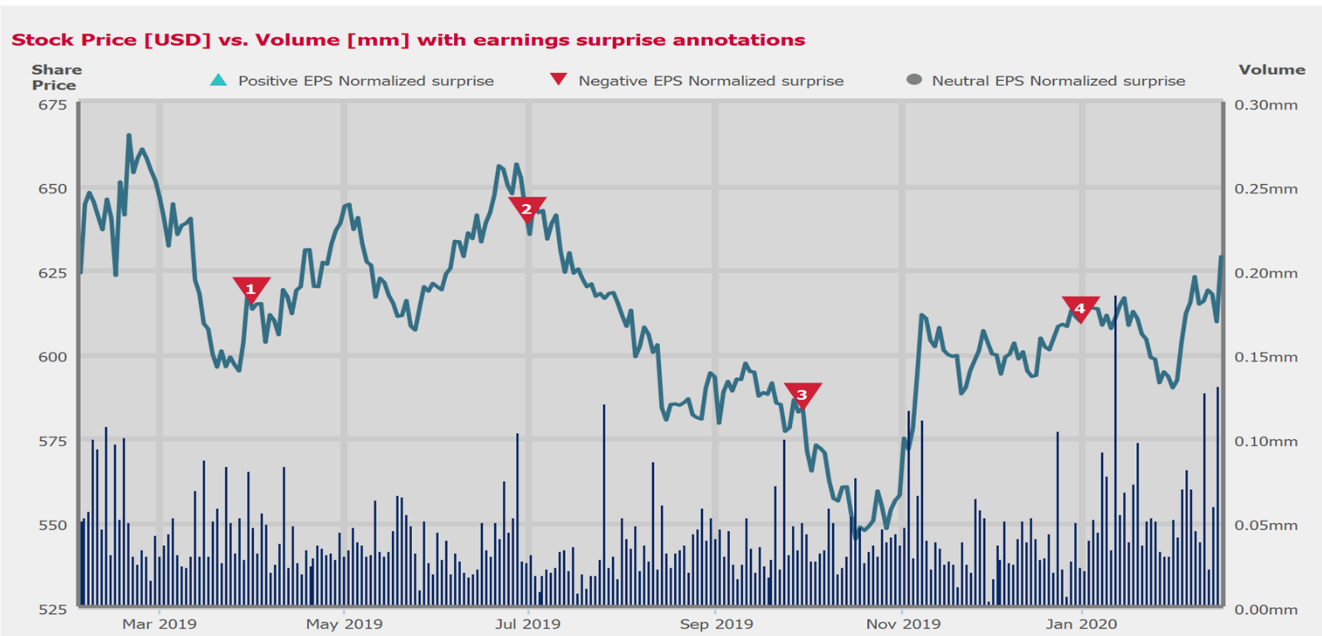
Fairfax Financial Holdings Limited
TSX:FFH
FY 2019 Earnings Call Transcripts

Friday, February 14, 2020 1:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2019-			-FQ1 2020-	-FY 2019-	
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL
EPS Normalized	7.55	1.18	▼(84.37 %)	8.74	32.43	18.17
Revenue (mm)	5150.00	5533.00	▲7.44	5530.00	21150.00	21532.80

Currency: USD
Consensus as of Feb-14-2020 11:59 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FY 2019	32.43	18.17	▼(43.97 %)

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Call Participants

EXECUTIVES

Derek Bulas
Associate Vice President of Legal

Jennifer Allen
Chief Financial Officer

Paul Rivett

V. Prem Watsa
Founder, Chairman & CEO

ANALYSTS

Christopher Gable

Jaeme Gloyn
National Bank Financial, Inc., Research Division

Jeffrey Michael Fenwick
Cormark Securities Inc., Research Division

Mark Alan Dwelle
RBC Capital Markets, Research Division

Mikel Abasolo
Solo Capital Management SL

Tom MacKinnon
BMO Capital Markets Equity Research

ATTENDEES

Unknown Attendee

Presentation

Operator

Good morning and welcome to Fairfax 2019 year-end 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 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 2019 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.

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 2019 year-end conference call. I plan to give you some of the highlights and then pass it on -- pass the call on to Jen Allen, our chief information -- Chief Financial Officer, for additional financial and accounting details. But to begin today's conference call, I'd like to comment on last night's press release announcing Paul Rivett's retirement. Paul told me recently that for family reasons, he wanted to retire as President of Fairfax, and it was with great sadness that I accepted his decision. For 17 years, Paul has given us all and has been instrumental in our success over that time. I've had the pleasure of working very closely with Paul all those years, and I will miss him greatly. He retires with our gratitude and with all our best wishes to him, his wife Janice and his children and his retirement. Paul will continue to work on projects for us and will remain the chairman of the boards of some of our noninsurance investments. So we thank you very much, Paul, and Paul is here with us. Paul?

Paul Rivett

Thank you, Prem. As -- Prem, as you said, I started at Fairfax in late 2003 and became the President 7 years ago and began doing these conference calls 2 years ago at the end of 2018 and working with you and the entire Fairfax family has been a joy and an honor and a privilege. There is no better place to work. It's always been fun at Fairfax, whether defending the organization or helping grow the company over the years, working with such talented people and assisting other businesses and individuals along the way. Over the last 2 decades with this fantastic team and atmosphere, I've given everything I had to help better this business, and it has been great fun. It is for personal reasons that I've decided to step back from working to spend more time with my family. And that said, as Prem mentioned, I will continue to sit on the Board of several Fairfax investee companies. To Prem, the entire Fairfax family and all our great shareholders, I'm so grateful for my time at Fairfax, and I look forward to watching the exciting future of the organization continue to unfold. Thank you, Prem, for everything.

V. Prem Watsa
Founder, Chairman & CEO

Hey, thank you, Paul. And Paul, of course, will be at our AGM, and you'll have a chance to say hi to Paul.

So ladies and gentlemen, we'll just go right into fourth quarter call, year-end call. Fairfax's net earnings were $2 billion in 2019 versus $376 million in 2018, which equates to net earnings per share of approximately $70 per share versus $11.65 in 2018. Fairfax's book value per share in 2019 increased by 14.8%, adjusted for the $10 per share common dividend paid in the quarter of -- first quarter of 2019. The book value ends the year at $486 per share. We had record earnings, as I said, in 2019, at just over $2 billion, but became just shy of our 15% target for growth in book value. If not for some foreign exchange movements and pension expense that went through other comprehensive earnings, we'd have passed 15%.

Our companies continue to have good results with a strong combined ratio of 96.9% consolidated, strong reserves and producing an underwriting profit of $395 million for the year. All of our major insurance companies generated combined ratios of less than 100%, with Zenith leading the charge at 85.2%, Northbridge at 96.2%, Brit at 96.9%, Odyssey at 97.2%, Allied World at 97.5% and Crum & Forster at 97.6%.

For the year, operating income was strong at $1.1 billion, and our net gains on investments for the year were $1.7 billion. This consisted of realized gains in our investment portfolios of $612 million that includes ICICI Lombard, BDT, Brookfield and Seaspan, and unrealized gains of $1.1 billion, principally Eurobank, CIB bank, BDT, Go Digit and Seaspan.

As we've mentioned at our annual meetings and in our annual reports and quarterly calls with IFRS accounting where stocks and bonds are recorded at market, and subject to mark-to-market gains or losses, quarterly and annual income will fluctuate, and investment results will only make sense over the long term. Of course, these results were after taking mark-to-market losses in BlackBerry, EXCO, Stelco and Fairfax Africa.

Underwriting income continued to increase with a lower consolidated combined ratio and strong organic growth continuing at our companies. Our insurance and reinsurance business net for written premium increased year-over-year by approximately 10%, in addition to an increase of 9% in 2018, primarily due to growth at Northbridge, Odyssey, Crum & Forster and Allied World. Zenith is our only company not seeing premium increases as workers' compensation rates in the United States continue to decrease. At the subsidiary level, the change in net premiums written for the year and the fourth quarter were as follows: Odyssey Group for 2019 up 17%, and the fourth quarter up 25%; Crum & Forster for the whole year 18%, for the fourth quarter 27%; Northbridge 15%, for the fourth quarter 20%; Zenith was down 9% for the year and minus -- and down 7% for the quarter; Brit was flat for the year as Lloyd's restructuring took place, and for the fourth quarter, they were down 7%; Allied World was up 6% for the year 2019, and 7% for the quarter. So you can see on a quarterly basis, our -- the premiums would have been increasing very significantly. If you look at on a quarterly basis and for the whole year 2019, first quarter was up 4%, this is the net written premium; second quarter, plus-6%; third quarter, plus-12% and fourth quarter plus-13%. And these are mainly because of rate increases. Rate increases have been accelerating during the year, and we expect this trend to continue in 2020. We continue to look to put more of our cash to work without reaching for yield or taking duration risk. Over the last 24 months, we have invested our cash and short-term U.S. treasuries and short-term investment grade bonds. We have also deployed some of our cash into real estate and mortgages. We now have an annual run rate of approximately $850 million in interest and dividend income and continue to focus on redeploying cash.

In December, as you saw in the press release, the company entered into an agreement to sell a 40% equity interest and its wholly owned European runoff group for cash of approximately $600 million to OMERS. Pursuant to the sale, OMERS and the company will jointly manage the European runoff after completion of the sale, which we expect to happen in the first quarter. With our partners, we hope to work together to help European runoff expand, given the many opportunities that they are seeing there in London, particularly. At the closing date, the company will deconsolidate European runoff from its runoff reporting segment and apply the equity method of accounting for its remaining equity interest. The transaction, of course, is subject to regulatory approval, and as I said, is expected to close in the first quarter of 2020. The assets and liabilities of European runoff are presented as held for sale in the company's consolidated balance sheet at year-end.

We remain conservatively positioned with common shareholders' equity of $13 billion at December 31, 2019, compared to $11.8 billion in the previous year, and holding company cash and marketable securities at $1.1 billion. Always looking to be soundly financed first, we have begun to repurchase our partners' interest in our insurance companies as well as repurchasing Fairfax shares. During 2019, we repurchased

479,000 shares and since the fourth quarter of 2017, approximately 2 years, we have purchased over 1.2 million Fairfax shares.

Fairfax India had an excellent year in 2019 as its book value per share increased by almost 22% to 16.89%, almost $17 a share. Bangalore International Airport had an increase in its valuation because of its second runway and second terminal and a validating investment by a third-party investor for 10% of our position. For more details, please refer to the Fairfax India press release.

Fairfax Africa had a difficult deal, mainly because of mark-to-market losses in Atlas Mara and CIG, so its net asset value dropped by 9%. We expect its net asset value to come back to $10 per share soon. For more details, again, please refer to the Fairfax Africa press release.

You'll remember, we continue to hold CPI-linked deflation flow of contracts with a notional amount of $100 billion and an average remaining term to maturity of 2.8 years. We carry these contracts at only $7 million, and they continue to provide us with downside protection in the event of a catastrophic turn of world events. As of December 2019, we have $10 billion in subsidiary cash and short-term investments in our portfolio, which is approximately 26% of our portfolio investments, to take advantage of opportunities that come our way. We have another $5.4 billion of approximately 1-year treasury bills, classified as bonds, and approximately $3.6 billion of high-quality corporate bonds with an average maturity of 1.5 years. In total, we have approximately $19 billion in cash and short-dated securities, which is almost 50% of our portfolio investments. Investment portfolios will be largely unimpacted by rising interest rates as we have not reached the yield. In fact, we will benefit from rising investment income with a run rate of approximately $17 billion in gross premium, a huge focus on underwriting discipline, a portfolio of approximately $38 billion, which does not include the RiverStone U.K. portfolio, which we will continue to manage, and HWIC, our investment subsidiary operating in a stock pickers market, all grounded in our fair and friendly culture built over 34 years. We expect to generate 15% return for our shareholders over time. We think the best is yet to come.

I will now pass the call over to Jen Allen, our Chief Financial Officer. Jen?

Jennifer Allen
Chief Financial Officer

Thank you, Prem. Before I discuss Fairfax's 2019 results. I would like to acknowledge Paul and thank him for his unparalleled support that he's provided to me and the finance team over the years. We wish Paul all the best in his future. We wanted to also provide the readers with -- sorry, we wanted to also let you know that in addition to the press release that was issued yesterday, that all of the details on our 2019 financial results will be made available in our annual report, which will be posted on the company's website on March 6, 2020.

Turning to Fairfax's consolidated results for the full year 2019. I will highlight the results of our operating companies and then finish with our consolidated financial position. For the full year 2019, Fairfax has reported net earnings of just over $2 billion or $69.79 per share on a fully diluted basis, which as Prem noted, was a record year for the company. That compared to net earnings of $376 million or $11.65 per share on a fully diluted basis in the full year of 2018. The full year 2019 net earnings primarily reflected strong net investment gains and higher interest dividend income and strong underwriting results at the operating companies. Underwriting profit at our insurance and reinsurance operations in 2019 increased to $395 million with a combined ratio of 96.9%, compared to an underwriting profit of $318 million and a combined ratio of 97.3% in 2018. The increase in underwriting profit of $76 million principally reflected a lower accident year loss ratio, partially offset by lower net favorable prior year reserve development. Current period catastrophe losses in 2019 totaled $498 million, represented 4.0 combined ratio points, principally related to Typhoon Hagibis at $146 million or 1.2 combined ratio points; Typhoon Faxai at $76 million or 0.6 combined ratio points; and Hurricane Dorian, $66 million or 0.5 combined ratio points. That was lower than the current period catastrophe losses in 2018 of $752 million that represented 6.5 combined ratio points. In 2018, it principally related to the California wildfires, Hurricane Michael and Typhoon Jebi.

Our combined ratios benefited from net favorable prior year reserve development in 2019 of $480 million, representing 3.8 combined ratio points. That compared to net favorable prior year reserve development in 2018 of $789 million, representing 6.8 combined ratio points. Net premiums written by our insurance and reinsurance operations increased by 10% in 2019, principally reflecting increases at Odyssey Group, Crum & Forster and Northbridge.

Looking to our operating company results, starting with Northbridge. Northbridge's underwriting profit of $47 million and a combined ratio of 96.2% in 2019 was fairly consistent with its 2018 underwriting results. 2019 reflected lower non-catastrophe loss experience related to the current accident year, principally improvements in their transportation business. Partially offset by lower net favorable prior year reserve development. Northbridge's underwriting profit in 2019 included net favorable prior year reserve development of $67 million, representing 5.4 combined ratio points, reflecting better-than-expected loss emergence across all major lines of business. This compared to net favorable prior year reserve development of $107 million, representing 9.5 combined ratio point in 2018, reflecting better-than-expected emergence on automobile and casualty lines of business. The underwriting results in 2019 included $12 million that represented 1 combined ratio point of current period catastrophe losses, that principally related to storms in Ontario and Québec. That compared to current period catastrophe losses in 2018 of $19 million that represented 1.7 combined ratio points. In Canadian dollar terms, Northbridge's net premiums written increased by 18% in 2019, reflecting price increases across the group, strong retention of renewal business and growth in the new business.

Moving on to Odyssey Group, in 2019, Odyssey Group reported an underwriting profit of $90 million at a 97.2% combined ratio compared to an underwriting profit of $181 million at a 93.4% combined ratio in 2018. Lower underwriting profit in 2019 reflected lower net favorable prior year reserve development, and higher current period catastrophe losses. Odyssey Group's combined ratio in 2019 benefited from net favorable prior year reserve development of $230 million, which represents 7.2 combined ratio points, principally related to better-than-expected emergence on non-catastrophe losses of $148 million, primarily related to better-than-expected emergence from both non-catastrophe loss experience principally in the casualty, auto, marine and aviation lines and property catastrophe loss experience. That compared to net favorable prior year reserve development of $346 million or 12.5 combined ratio points in 2018. Current period catastrophe losses of $280 million represented 8.8 combined ratio points in 2019, principally related to Typhoon Hagibis at $88 million or 2.8 combined ratio points; Typhoon Faxai at $42 million or 1.3 combined ratio points; and Hurricane Dorian at $25 million or 0.8 combined ratio points. And that compared to current period catastrophe losses of $252 million that represented 9.1 combined ratio points in 2018, that principally related to the 2018 California wildfires, Hurricane Michael and Typhoon Jebi. Odyssey Group wrote $3.4 billion of net premiums in 2019, which represented an increase of 17% from the prior year. This reflected growth in all divisions, with the majority of the increase related to U.S. insurance, with growth in the U.S. cross motor and financial product lines. The London market in new line -- Odyssey's new line business and its U.S. casualty reinsurance.

Moving on to Crum & Forster. Crum & Forster's underwriting profit in 2019 improved to $52 million with a combined ratio of 97.6% from an underwriting profit of $33 million and a combined ratio of 98.3% in 2018. The increase in underwriting profit was principally due to higher business volumes and profitable lines of business and lower current period catastrophe losses, partially offset by increased commissions as a result of growth and higher commission lines of business. Crum & Forster's net premium written increased by 18% in 2019, primarily reflecting growth in accident and health, surety and programs, and surplus specialty lines of business.

Looking to Zenith. Zenith National reported underwriting profit in 2019 of $109 million with an 85.2% combined ratio compared to an underwriting profit of $140 million with an 82.6% combined ratio in 2018. The decrease in underwriting profit in 2019 principally reflected the impact of price decreases due to continued favorable loss trends. The underwriting profit in 2019 included $82 million or 11.2 combined ratio points of net favorable prior year reserve development which reflected net favorable loss development trends for accident years 2013 through 2018. Net premiums written by Zenith of $721 million in 2019, decreased by 9% from $789 million in 2018, with the decrease primarily reflecting price decreases due to continuing favorable loss trends.

Brit insurance in 2019 reported an underwriting profit of $51 million and a combined ratio of 96.9%, compared to an underwriting loss of $77 million and a combined ratio of 105.2%. The year-over-year improvement in Brit's underwriting results principally reflected a decrease in current period catastrophe losses and a decrease in the attritional loss ratio, partially offset by a decrease in net favorable prior year reserve development. Current period catastrophe losses of $70 million represented 4.3 combined ratio point in 2019, principally related to Typhoon Hagibis at $25 million or 1.5 combined ratio point; Typhoon Faxai, $12 million or 0.8 combined ratio point; and Hurricane Dorian, $24 million or 1.5 combined ratio points. That was significantly lower than current period catastrophe losses of $210 million that represented 12.7 combined ratio points in 2018 that related to the California wildfires, Typhoon Jebi, Hurricane Florence and Michael. Net favorable prior year reserve development was lower in 2019 at $47 million and represented 2.8 combined ratio points, reflecting better-than-expected claim experience across most lines of business, compared to $99 million that represented 6.0 combined ratio points in 2018. Brit's net premium written decreased by 1% in 2019 after excluding the onetime intercompany reinsurance transaction with runoff in 2018 that's eliminated on consolidation. The decrease reflected an increased use of proportional treaty reinsurance in the marine and property lines of business, partially offset by growth in premiums written, primarily growth in the reinsurance segment. That was partially offset by lower business volumes due to reductions in noncore lines of business.

Allied World reported an underwriting profit of $58 million and a combined ratio of 97.5% in 2019 compared to an underwriting profit of $43 million and a combined ratio of 98.1% in 2018. The improvement in underwriting profitability principally reflected lower current period catastrophe losses, partially offset by net adverse prior year reserve development in 2019, compared to net favorable prior year reserve development in 2018. Current period losses in 2019 were $85 million or 3.7 combined ratio points, principally related to Typhoon Hagibis at $31 million or 5.7 combined ratio point; Typhoon Faxai at $20 million, 0.8 combined ratio point; Hurricane Dorian, $14 million and 0.6 combined ratio points. That compared to current period catastrophe losses in 2018 of $223 million or 9.8 combined ratio point that principally related to the California wildfires, Typhoon Jebi, Hurricane Florence and Michael. Net adverse prior year reserve development of $32 million or 1.4 combined ratio points in 2019 reflect a deterioration in both the insurance segment and the reinsurance segment, compared to net favorable prior year reserve development of $97 million or 4.2 combined ratio points in 2018. Allied World's net premium written increased by 3%, reflecting growth in gross premiums written, partially offset by decreased premium retention, primarily driven by increased reinsurance purchase in their insurance segment.

Moving to Fairfax Asia. Fairfax Asia's underwriting profit increased to $6 million at a combined ratio of 97.0% in 2019 and that compared to an underwriting profit of $0.4 million at a combined ratio of 99.8% in 2018. With the increase in underwriting profit principally reflecting higher net favorable prior year reserve development. Our insurance and reinsurance other segment reported an underwriting loss of $18 million and a combined ratio of 101.7% in 2019 compared to an underwriting loss of $49 million and a combined ratio of 104.6% in 2018. The decrease in the underwriting loss in 2019 principally reflected higher net favorable prior year reserve development, primarily at Group Re, Fairfax Central and Eastern Europe and Brit Insurance. That was partially offset by a higher current period catastrophe losses, primarily related to the Chilean riots.

And finally, looking to run off. Excluding the first quarter of 2019 and the fourth quarter 2018 reinsurance transactions, runoff reported an operating loss of $219 million in 2019 compared to an underwriting loss of $288 million in 2018. The decrease in operating loss in 2019, principally reflected the runoff of Advent's unearned premiums and lower loss on claims, partially offset by higher operating expenses. Losses on claims in 2019 reflected net adverse development at U.S. runoff of $216 million, principally related to the strengthening of asbestos, pollution and other latent claim reserves. That was partially offset by European runoff net favorable reserve development of $66 million.

As Prem noted, on December 20, 2019, the company entered into an agreement to contribute its wholly owned European runoff group to a newly formed RiverStone Barbados company that will be jointly managed with OMERS. Pursuant to the agreement, OMERS will subscribe for 40% equity interest in RiverStone Barbados for cash consideration of approximately $600 million. At the closing date, the company will deconsolidate European runoff and remove runoff -- remove from the runoff reporting segment and commence the equity method of accounting to its joint venture interest in the RiverStone

Barbados entity. At December 31, 2019, on our consolidated balance sheet, the assets and liabilities of that European runoff operation were presented as held for sale in the company's balance sheet. And as Prem noted, the transaction is subject to regulatory approval with anticipated closing in the first quarter of 2020.

Looking to our consolidated results of Fairfax, our consolidated interest and dividend income increased year-over-year from $784 million in 2018 to $880 million in 2019, primarily reflecting higher interest income earned on increased holdings of high-quality U.S. corporate bonds, partially offset by lower interest income earned on decreased holding of our U.S. municipal bonds. Fairfax recorded a provision for income taxes of $262 million at an effective tax rate of 12% in 2019, with the lower effective tax rate in 2019, primarily due to income earned outside of Canada that's taxed at lower rates and the recognition of previously unrecorded U.S. foreign tax credits. Our total debt-to-total-cap ratio, excluding our non-insurance companies, decreased to 24.5% at December 31, 2019, from 25.0% at December 31, 2018, primarily as a result of the increase in total capital. We ended 2019 with an investment portfolio, which included the holding company cash and investments of $39 billion, slightly higher than $38.8 billion held at December 31, 2018. Book value per share at December 31, 2019, was $486.10 compared to $432.46 at December 31, 2018, an increase of 14.8% adjusted for that $10 dividend that the company paid in the first quarter of 2019.

And now I'll pass it back over to you, Prem.

V. Prem Watsa
Founder, Chairman & CEO
Thank you very much, Jen. We look forward to answering your questions. Please give us your name, your company name and try to limit your questions to only one, so that it's fair to everyone on the call. Okay, Annie, we are ready for the questions.

Question and Answer

Operator

[Operator Instructions] And our first question is from the line of Jaeme Gloyn from National Bank Financial.

Jaeme Gloyn
National Bank Financial, Inc., Research Division

Premium's growth, obviously, really solid. I was hoping you could break out what organic growth was in Q4?

V. Prem Watsa
Founder, Chairman & CEO

Yes. So organic growth in Q4 was approximately 13% in terms of net written premium. So we're -- basically, Jaeme, we're seeing a rate increase -- accelerated rate increases through 2019. And we've been very careful, and as you know, not writing -- not increasing our premiums over the years in a soft market. In fact, decreasing it. And so now we're expanding. We grew in 2019 and -- on an accelerated basis quarter-by-quarter, that's why I showed it to you, and we think that trend continues in 2020.

Jaeme Gloyn
National Bank Financial, Inc., Research Division

Okay. And where do you think leverage can reach? And how quickly can Fairfax achieve those levels?

V. Prem Watsa
Founder, Chairman & CEO

You mean, in terms of premiums to equity and that type of leverage you're talking about? Yes, so in the past, we've gone to 1.5x net written premiums to shareholders' equity. But our companies, we are very decentralized. So each of our precedence, particularly the big ones, Odyssey, Allied World, Crum & Forster, Brit, they're all ready to expand. They know what to do. It has -- it's not just the price increases, you have to get the right margins because there's also a potential risk with the insurance business, and we have the ability to expand as much as we like in the next few years. And in the past, 2001 -- now this is as a much bigger company today than we were in 2001, but in 2001 after September 11, 2002, '03, and '04, we more than doubled our premium and -- in those 3 years. Now -- right now, we have $17 billion in gross premium, approximately $13 billion in net written premium. But that's how you look at it in total, but what you should look at is each of the companies, $4 billion in Odyssey, approximately $4 billion in Allied and on and on and on. And all of those companies have the ability to expand if the pricing is appropriate. And at the moment, it seems like it's appropriate.

Jaeme Gloyn
National Bank Financial, Inc., Research Division

Okay, great. And just a follow-up. Can you balance that sort of commentary with shareholding repurchases, given the stock trend and the low book value, it would seem like a decent use of capital to repurchase shares as well. Can you balance those 2 competing uses of capitals?

V. Prem Watsa
Founder, Chairman & CEO

Yes. Of course, first is to help our companies grow because these opportunities don't last forever. And secondly is to buy back our stock, yes. But we have to do it in a financial way, we have to do it in a way that doesn't put us at risk. And so we -- that's the balance, Jaeme, that we are going through in terms of using on the excess funds that we think we won't need in terms of our expansion potential in the insurance business and buyback our stock. So we bought some and by the way, I've said publicly that we want to buy our shares, we don't want to issue shares, we don't want to expand, we've got a very diversified platform of the insurance, reinsurance business all over the world, but I said that over 10 years. So it's over time, not like every quarter. We'll buy it as and when we feel comfortable to take advantage of it. And -- but we're not going to do it at the expense of our financial position or at the expense of our insurance companies' ability to take advantage of good pricing.

Operator

Our next question is from the line of Mark Dwelle from RBC Capital Markets.

Mark Alan Dwelle
RBC Capital Markets, Research Division

A couple of questions. Can you help with -- the holding company cash was about $1.7 billion at the end of last quarter, and it's down to about $1 billion even or so at the end of this quarter. Can you help with just a couple of the major items that accounted for the move from $1.7 billion to about $1 billion?

V. Prem Watsa
Founder, Chairman & CEO

Yes. Jen?

Jennifer Allen
Chief Financial Officer

So -- right. Sure. So at the end of the last quarter, the $1.7 billion represented, we had $500 million drawn on our credit facility that's been fully repaid in the fourth quarter. There was also some residual capitalization put into our underlying insurance companies to help them with growth.

Mark Alan Dwelle
RBC Capital Markets, Research Division

Okay. That's helpful on that. And then...

V. Prem Watsa
Founder, Chairman & CEO

And Mark, as we've said, we get another $600 million in the first quarter as and when this RiverStone U.K. closes. And so we like to build our cash and marketable position to a higher level than $1.1 billion.

Mark Alan Dwelle
RBC Capital Markets, Research Division

Okay. That's helpful. The second question, in the -- there was a sizable loss in the fourth quarter related to the profit share in associates and non-insurance entities. Could you talk a little bit about what was there? I'm sure it's probably some type of a mark-to-market, but just to help understand it.

V. Prem Watsa
Founder, Chairman & CEO

Yes, for sure, Mark. Jen, would you answer that, please?

Jennifer Allen
Chief Financial Officer

Sure. So Mark, maybe just on that summarized income statement, there will be more details in our MD&A when it comes out in the annual report, to give you more clarity. But high level, I think there's a couple of things to note in that non-insurance companies line. So in there, we have Thomas Cook that you recall is a consolidated investment, but it owns the underlying Quess shares that were demerged in the fourth quarter. Upon that demerger, there was $191 million, but that's an impairment on the Quess shares relating to the noncontrolling interest of Thomas Cook. That full $191 million is attributed to the noncontrolling interest line on the Fairfax net P&L, so 0 impact to our book value per share. It's a growth presentation.

The other thing to note on that noninsurance operation line is also Fairfax India is presented in that line before we do our consolidation. As Prem noted, that they had an excellent quarter and an uptake, principally related to the Bangalore airport. As a result, they accrue for a performance fee of about $48 million. That's also in that line as an expense. But the way the consolidation works, we have the benefit coming through on the Fairfax line at $48 million. So it's the net benefit that you would actually see in our results of the 66% that we retain. So there is a little bit of noise on kind of a one-off transaction in those lines, just to clarify.

Mark Alan Dwelle
RBC Capital Markets, Research Division

No, that's helpful. And then just one last item, if I can. You mentioned within the runoff segment that there were asbestos charges, typically, that's all in the fourth quarter. Could you just quantify how much impact that had on the fourth quarter results?

V. Prem Watsa
Founder, Chairman & CEO

You said $216 million, right?

Jennifer Allen
Chief Financial Officer

$216 million.

V. Prem Watsa
Founder, Chairman & CEO

$216 million in gross in U.S. asbestos. We had some redundancies in the U.K. and the net impact was $150 million. And of course, Mark, we have interest and dividend income, and you have gains and losses on the stock side, take them all together and approximately, it's about a $50 million loss in our runoff company in -- at a U.S. runoff company, or the total runoff company is about $50 million loss. And so asbestos has been a problem for some time. And the plaintiff's lawyers, this is what they call social inflation, plaintiff's lawyers have been extending their reach into also some nooks and crannies to get anything that's got a little asbestos, as they come after the companies. And we think it might be somewhere here in the next few years might be peaking, but we happen to have the best team in RiverStone, very well versed team for asbestos in environmental settlements. We've made acquisitions on that front also. And so we think we know what we're doing. And we'll grind it to a halt as time goes by. But it is a industry-wide concern as the plaintiff's lawyers extend that reach. They've gone through -- they've been coming after the insurance companies and other companies for decades now. And somewhere here, we think it'll peak out, but it is still something that we watch very carefully and we look at it every year.

Operator

Our next question is from the line of Tom MacKinnon from BMO Capital.

Tom MacKinnon
BMO Capital Markets Equity Research

A question with respect to your minority insurance partners. And they've helped you make acquisitions in the past. And I think the trend has been to sort of help -- to buy them out. But the RiverStone acquisition seems to go a little bit the other way, where you're actually selling some of the stuff back to them. So do you see -- envision an increasing role with these partners going forward? Or do you envision a role where you're going to be buying up your ownership from these partners going forward?

V. Prem Watsa
Founder, Chairman & CEO

Yes. So our -- yes, there are 2 ways -- 2 sides, right, Tom. One is our insurance companies, and we've been buying back our partners' interest over time. So like that would be Brit and that would be Eurolife and that would be Allied. Allied comes this year. So yes, so we'd be looking to eventually own those companies 100%. They are insurance companies and over time, we'd be looking at only 100%. In terms of the RiverStone, we've taken that -- we've taken OMERS as a partner, and we think what we've done is that, as a partner, we've allowed -- that allows us to deconsolidate. And our U.K. company now, RiverStone, can -- there's a lot of Lloyd's companies, and there's a lot of runoffs in the U.K. So it helps us to finance that separately with our partner. And eventually, there's all sorts of possibilities, including taking it public at some point in time. So we're looking at Riverstone U.K. in a separate basis. But it's very much -- it's been a great performer, U.K., and we think the big advantage is it allows us to finance it separately from the Fairfax insurance companies.

Tom MacKinnon
BMO Capital Markets Equity Research

And what would be the -- in order to take Eurolife and Britain and Allied up to 100% ownership, what's left for you? What kind of cost do you see of that over the next couple years?

V. Prem Watsa
Founder, Chairman & CEO

Yes. So the year Eurolife we'll doing it sometime this year. That we'll probably do it, right, from the company itself. We've done very well in Eurolife. So that won't need much money. And for Brit, we need about 10%, we have to buy back and we're looking at buying back that as soon as we can. And then Allied is -- opens up in June, I think, somewhere June, July, and then we have the ability to do that. I think the -- for Allied, Peter, if I remember, it was something like $1.5 billion, something like that, that we need to buy at some point in time in the next 3, 4 years.

Tom MacKinnon
BMO Capital Markets Equity Research

Okay. And what about -- and in the Brit, is that -- what's the dollar amount on that?

V. Prem Watsa
Founder, Chairman & CEO

The Brit, we don't have to, but it's approximately $100 million, plus/minus $100 million.

Operator

Our next question is from the line of Christopher Gable, an individual investor.

Christopher Gable

I'd like to follow-up a little bit on the rate of share repurchases, which personally had a higher expectation for the rate since I was up there on 10/17, there's about 4% has been purchased back and you mentioned that you're trying to try to reduce it over time from '20 to '23. And today is first time I heard that your time frame is 10 years, I thought it was shorter, but it...

V. Prem Watsa
Founder, Chairman & CEO

Yes. We -- I quoted in our annual report, and I quoted and I talked about it in our AGM. The king of buybacks is a guy by the name of Henry Singleton.

Christopher Gable

Know the name.

V. Prem Watsa
Founder, Chairman & CEO

Yes, you know the name. But something like 85% of the shares outstanding. But they bought it -- but he bought it over 10, 15 years. And I wanted to make sure that we've got a platform, Christopher, that --

of $17 billion worldwide insurance. And that doesn't include about $2 billion from Eurolife and from Gulf Insurance Co. and some from Digit in India. And so we've got a better part of $20 billion, we don't have to buy anything more. When we grow at 10%, we're growing at $1.7 billion, plus/minus another Brit is how we look at it, right? So we are going to have a tremendous ability going forward when we can balance, as we were saying, our financial position, ability to finance our insurance companies' growth and buyback stock. So over time, we'll be buying back a significant amount of our stock. But we don't want to do it at the expense of our financial position and we don't want to, as I said, do it at the expense of restricting the growth in our insurance companies.

Operator

Our question is from Mikel Abasolo from Solo Capital Management.

Mikel Abasolo
Solo Capital Management SL

I have 1 quick specific one and 1 more general, if I may. The specific one has to do with the unrealized gain on Go Digit. I'm surprised by that because in the annual report of 2018, I see that your 45% stake in that company amounts to a total of $3.4 million and the company lost money in the year 2018. So I was curious about that.

V. Prem Watsa
Founder, Chairman & CEO

Yes. So that's a good question. And this is a company that's totally digitized, right? That's all-digital, growing like a weed. In 2 years, Kamesh Goyal, who's the founder of the company, has grown it to $300 million. And more recently, he's been able to raise -- we can only own, at the moment, 49%. He's been able to raise about 10%, a little more than 10%, and a valuation of $800 million plus. And so we might have put, I don't know, $140 million, something like that, $150 million. So that increase for our shares from $800 million plus to what we put is where that $350 million comes from. But Jen, you want to add to that?

Jennifer Allen
Chief Financial Officer

Sure. Maybe just to give you, Mikel, a little bit more color, there's 2 components to that investment that we hold in Digit. So the part that you're referring to is the common stock and a small portion of some pressures that we own. As Prem noted, we're limited to a 49% interest in India. Those shares are at a historic cost was about $16 million currently carried at nil because we do our equity pickup on that basis of the 49%. The large unrealized gain that you've noted of just over $350 million relates to the convertible press shares. So that's where we -- as Prem indicated, they had 3 private equity firms come in and value the company at over $850 million. Our share percentage of that on the convertible press that are a mark-to-market basis is what you're seeing come through on the unrealized gain. It's not the equity-accounted position.

Mikel Abasolo
Solo Capital Management SL

Right. Excellent. And if I may, I have 1 more general, and I'm coming back with this year after year, almost year after year. And that is I guess that if there is a stockpicker's market, I'm pretty confident that Fairfax will do very well even if the discrepancy or the divergence between growth and value does not close soon enough, but I'm very worried that you confront a general call in the stock markets. You are as aware as I am that the Shiller P/E is at record levels, valuations, any way you look at them, they are extreme. And I mean, my worry is that if there is a general collapse or slow collapse in stock markets, I'm still very confident that Fairfax common stock would do much better than the indices, but I fear that you would be dragged down. And of course, you cannot spend relative dollars.

V. Prem Watsa
Founder, Chairman & CEO

No, that's right. And you never know in the stock market, 50% drop, 30% drop, which it could easily do, how we would do? But I do mention to you to look at our 2002, '03 and '04 annual report. In 1999 to 2002, the stock market dropped 50%. This is, of course, the .com bust, but the whole market dropped 50%, and our equity portfolios went up 100%. So there's -- value has been -- had a tough time for years and years and years, perhaps the whole decade. So if some of these high-flying stocks come down, you may not be surprised that the value stocks do well. If history is any guide, that's what's happened before.

Mikel Abasolo
Solo Capital Management SL

Yes, I'm worried that this time it will be systemic, which it wasn't in 2001, '02, '03.

V. Prem Watsa
Founder, Chairman & CEO

And it might well be that. Might will be that. It might well be right on it.

Operator

The next question is from the line of Jeff Fenwick from Cormark Securities.

Jeffrey Michael Fenwick
Cormark Securities Inc., Research Division

So Prem, obviously, to begin, the headlines of late has been the spread of the coronavirus, and I've been getting some questions about that with respect to Fairfax. So can you just frame for us a little bit, maybe the extent of the risk exposure from Fairfax's perspective with respect to things like is this interruption insurance and that type of thing. Is there any sort of commentary you can offer up on that?

V. Prem Watsa
Founder, Chairman & CEO

Yes. So on the insurance side, Jeff, business interruption or anything else would be very minimal yet. Very minimal. We haven't seen any pickup in claims. And we're looking at size, for example, in the past. We don't expect that to be significant, but it could affect some of our investments, business travel might be slow and some other businesses, you hear them all making comments at the -- from the investment side, that might be slower. But from the insurance side, it's that's highly unlikely that will be affected by the coronavirus.

Jeffrey Michael Fenwick
Cormark Securities Inc., Research Division

Okay, that's helpful. And then maybe just turning to the investment gains. Specific to Q4, fairly sizable equity gain there. Was that the -- did you came with it loaded principally in the fourth quarter?

Jennifer Allen
Chief Financial Officer

That's correct, yes. That was in the fourth quarter.

V. Prem Watsa
Founder, Chairman & CEO

Yes. Well, that -- yes. Yes. That was exactly right, Jeff.

Jeffrey Michael Fenwick
Cormark Securities Inc., Research Division

Okay. And then maybe just one last one here. I know with the -- part of the market -- pardon me, needs to be associated with some capacity leaving the market, notably from Lloyd's. Do you think that's sustainable? Or as they sort of reorganize there and we see the rates improving, does that capacity start to come back into the market in fairly short order?

V. Prem Watsa
Founder, Chairman & CEO

Not in short order. It'll come back, but not in short order. And if history is any guide, again, if you see what happened in the past, you get a few years of significant price increases. You had some big companies, like Lloyd's is one, AIG has publicly said they are reducing their capacity significantly, that I think they've dropped it by 75% and a lot of the other large European companies have dropped. The social inflation, there's cat exposure, so these hurricanes that come into Florida, big losses, right, that has taken some time to hit and when it turns, price increases are taking place now. But as you said, Jeff, it'll turn, but you might have a good one for a few years. That's what's happened in the past.

Operator

It's from [Sardeep Banerjee], a private investor.

Unknown Attendee

Congrats on the great result on Fairfax India and Fairfax Financial. So I have a quick question on Bangalore Airport on Fairfax India side. So I don't know if you have already discussed this, but -- so encouraging infrastructure, who did Fairfax serve into? Is it to OMERS? Or did you guys release that information? Or who did...

V. Prem Watsa
Founder, Chairman & CEO

We haven't released that yet. We will release it sometime, but we haven't released it yet. We just said that it was a third-party institutional investor who validated the investment.

Unknown Attendee

Okay. But my question is that is the multiple that Fairfax India sold it to -- I mean, to third-party investors, is it a very -- is it a very high, like is it a reach valuation. So my question is coming from that. And can we assume that the future gain would be muted for the Bangalore Airport?

V. Prem Watsa
Founder, Chairman & CEO

No. I mean, you should look at it like this. The whole -- we happen to be fortunate about the airport at a valuation, 100%, now I'm talking, at about $1.4 billion. And so the valuation here was about $2.8 billion, less than $3 billion. That's $3 billion for Bangalore International Airport, which is going from 30 million passengers, second terminal, second runway to 45 million, 50 million, 60 million, 70 million and ultimately after 90 million passengers. If you look at Shanghai, it's trading in excess of USD 20 billion. So this is trading at $3 billion, and it's a long ways off from Shanghai, I understand that. But this is a private airport, it's really well run, and it's in the third-largest city in India, as you know, in Bangalore, and there's a ton of software engineers there, almost as many as in Silicon Valley.

Unknown Attendee

Yes, thanks, Prem. And I can validate that, I've been to the airport and it's really phenomenal. I mean, it's probably the best airport I have been to, except Dubai. Another final question is that Fairfax India share repurchase, right? So if you look at 30th September, the normal course issuer bid cancellation, so as we all know, right, and you already mentioned that Fairfax India share value is undervalued, right? So why then out of $3.5 million that you guys could buy back, only you bought back $1.3 million. Is it an indication of management that is not that undervalued or any comment on that?

V. Prem Watsa
Founder, Chairman & CEO

No, no. It's like anything else. We buy as much as we can. And I forget exactly how much we've bought. We've disclosed it, but with a net asset value of close to $17 and stock's trading at $12.5, I don't think you need a lot of work to be done to figure out that it's pretty undervalued. And India is in a tremendous -- with Mr. Modi getting reelected last year, he's got a huge opportunity in the next 5 years.

So thank you very much for your question. And Annie, thank you very much. I think there is no more questions, Annie. So thank you for joining us all on the call. We look forward to seeing you at our Annual General Meeting, AGM on April 16. We invite you all to come for the meeting, and Paul Rivett will also be there. So we look forward to seeing you all. Thank you very much.

Operator
And that concludes today's conference. So thank you, everyone, for participating. You may now disconnect.