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Fairfax Financial Holdings Limited TSX:FFH

Earnings Call

Friday, November 1, 2024 12:30 PM GMT

Call Participants

EXECUTIVES

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Presentation

Operator

Good morning, and welcome to Fairfax's 2024 Third Quarter Results Conference Call. [Operator Instructions] Today's conference is being recorded. If you have any objections, you may disconnect at this time.

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

Derek Bulas
VP, Chief Legal Officer & Corporate Secretary

Good morning, and welcome to our call to discuss Fairfax's 2024 third quarter results. This call may include forward-looking statements. Actual results may differ perhaps materially from those contained in such forward-looking statements as a result of a variety of uncertainties and risk factors, the most foreseeable 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. 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 President and COO, Peter Clarke.

Peter S. Clarke
President & COO

Thank you, Derek. Good morning, and welcome to Fairfax's 2024 third quarter conference call. I plan to give you some highlights and then pass the call to Wade Burton, our President and Chief Investment Officer of Hamblin Watsa, to comment on investments; and Jenn Allen, our Chief Financial Officer, to provide some additional financial details.

We had another strong quarter with net earnings of over $1 billion. This included operating income from our insurance and reinsurance operations of $1.1 billion. Operating income is up 18% or approximately $170 million from the third quarter of 2023. Driving this result was underwriting income from our property and casualty insurance and reinsurance companies of $390 million with a combined ratio of 93.9%. Consolidated interest and dividend income was $610 million, up from $513 million in the third quarter of 2023, benefiting from an increased investment portfolio, which is now approximately $69 billion, increasing rates over the last number of years and from our mortgage portfolio.

Consolidated share of profits of associates in the third quarter was $260 million and remains a significant contributor to operating income. Our 2 largest associate investments, Eurobank and Poseidon continue to perform very well and make up a significant amount of our associate earnings. Net gains on investments were $1.3 billion in the quarter, comprised net gains on equity exposures of $323 million and net gains on bonds of $829 million, due to decreasing interest rates and other gains of $136 million, primarily preferred shares.

Net gains on investments does not include the expected pretax gain of $366 million on the sale of Stelco that was announced in July. Stelco received shareholder approval in September and is now only subject to regulatory approvals and other customary closing conditions. We expect it will close in early November. As we have said in the past, net gains or losses on investments only make sense over the long term and will fluctuate quarter-to-quarter or for that matter, year-to-year.

As mentioned in previous quarters, our book value per share does not include unrealized gains or losses in our associated and consolidated noninsurance investments, which are not mark-to-market. At the end of the third quarter, the fair value of these securities is in excess of carrying value by $1.9 billion, an unrealized gain position or $87 per share on a pretax basis.

Under IFRS 17, our net earnings are affected by the discounting of our insurance liabilities and the application of a risk adjustment. In the third quarter of 2024, our net earnings were affected negatively by $732 million pretax from the effects of discounting losses occurring in the quarter. Changes in the risk margin, the unwinding of the discount from previous years and changes in the discount rate on prior year insurance liabilities. As interest rates move up and down, we'll see positive or negative effects on net earnings from discounting.

The loss in the quarter on discounting includes a loss of $765 million from the effect of changes in interest rates, reflecting this decreasing rates. This partially offsets the mark-to-market gain on our bond portfolio of $829 million, which is included in our net gains on investments. Our book value per share at September 30 was $1,033 compared to $940 per share at December 31, 2023. An increase of 11.7% adjusted for the $15 dividend paid in the first quarter.

We continue to benefit from a stable base of annual operating income of $4 billion, and we expect, of course, no guarantees, it is sustainable for the next 3 to 4 years. The $4 billion of operating income consists of $2 billion plus from interest and dividend income, $1.25 billion plus from underwriting profit, that's with normalized catastrophe losses and $750 million from associates and noninsurance companies. Fluctuations in the stock and bond prices will be on top of that, but this really only matters over the long term.

In the third quarter, we announced Bob Sampson will be appointed CEO of RiverStone effective January 1, 2025. Bob has been with RiverStone for 28 years and his deep understanding of the culture, operations and strategy of our runoff operations provides great continuity and will ensure RiverStone continues to thrive. Nick Bentley, who has done an outstanding job leading RiverStone over the last 16 years, will remain as Chairman of RiverStone and will continue to contribute to the group in this capacity. This has been another wonderful internal succession at Fairfax.

Moving on to our insurance and reinsurance operations results. Our insurance and reinsurance businesses wrote $8.2 billion of gross premiums in the third quarter of 2024, up 13.9% versus the third quarter of 2023. The growth was driven by the consolidation of Gulf Insurance, whose operating results were consolidated into our results beginning January 1, 2024. Excluding Gulf's premium of $778 million, gross premium was up 3.2%. Our North American Insurance segment increased gross premiums by $213 million in the third quarter or 9.6% and from Forster grew 12.7%, with the majority of the increase in its specialty and surplus segment and the accident and health division.

Northbridge was up 6.9% in Canadian dollars while Zenith gross premiums were slightly down in the third quarter compared to the third quarter of 2023 due to the continued competitive workers' compensation market. Our global insurer and reinsurer segment decreased modestly with gross premiums written of $4.1 billion in the quarter, down 1.5% versus the third quarter of 2023. Odyssey's gross premiums written were down 4.7% due to the previously disclosed nonrenewal of a large quota share in the fourth quarter of 2023. Excluding the quota share contract, Odyssey's business was up 7.2% in the third quarter, driven by its reinsurance operations.

Brit's gross premium was down 3.8% or $34 million in the quarter, primarily property business at key and the trimming of cyber and casualty business. While their net premiums were up 3%, ceding less business year-over-year. Allied World was up $50 million or 3% in the quarter with approximately half coming from its reinsurance segment.

Our international insurance and reinsurance operations gross premium increased significantly in the third quarter of 2024 versus the third quarter of 2023, with gross written premium of $1.7 billion, up over 100% or $857 million. The growth was primarily the result of the consolidation of Gulf Insurance that added $778 million of gross premium in our international operations. Excluding Gulf Insurance, our international operations had strong growth with gross premiums up 9%. We continue to be very excited about the long-term prospects of our international operations, and we expect it will be a significant source of growth over time. We have excellent management teams with a strong footprint in Asia, the Middle East, Eastern Europe, South Africa and Latin America.

On a consolidated basis, our combined ratio was 93.9% in the third quarter of 2024, producing an underwriting profit of $390 million. The combined ratio included catastrophe losses of $434 million, adding 6.8 combined ratio points. The main drivers of the catastrophe losses were Hurricane Helene, costing $105 million and flooding and hailstorms in Canada of $114 million, with the remaining primarily from attritional catastrophe losses. This compares to a combined ratio of 95% in the third quarter of 2023, which included catastrophe losses of 6.7 points. Historically, the third quarter is generally the quarter we experienced the largest catastrophe losses, mostly driven by U.S. hurricanes.

Our global insurers and reinsurers posted a combined ratio of 92% and underwriting profit of $288 million in the third quarter. Allied had another excellent quarter with a combined ratio of 88.5%, with both its insurance and reinsurance segments producing combined ratios below 100. Odyssey posted a solid combined ratio at 93.8% despite 9.6 points of catastrophes. And Brit continues to produce sub-95 combined ratios at 94.2%. Our North American insurers had a combined ratio of 95.3% in the third quarter of 2024 and underwriting profit of $87 million. Northbridge had a strong quarter with underwriting income of $34 million and a combined ratio of 94%, notwithstanding $67 million of catastrophe losses. The insurance industry in Canada had one of its worst quarters of catastrophe losses in history with losses of over $7 billion.

From Forster, it had a combined ratio of 95.7% and underwriting profit of $47 million, while Zenith had a combined ratio of 96.6%, with the benefit of favorable reserve development and juggling a different, difficult pricing environment in the workers' compensation market. Our international operations delivered a combined ratio of 98.5% in the third quarter of 2024, and an underwriting profit of $15 million. Excluding the effects of the purchase price adjustments on our acquisition of Gulf Insurance, underwriting income was $31 million.

Our LatAm operations continue to post strong underwriting results with a combined ratio of 94.4% and have consistently produced underwriting profit for the last 5 years benefiting greatly from underwriting actions taken after our acquisition in 2017. Our business in Eastern Europe, consisting of Colonnade Insurance, Polish Re and our businesses in Ukraine, had another solid quarter with a combined ratio of 97.5%, all companies producing underwriting profit despite Colonnade and Polish Re dealing with significant storm losses in the region.

Fairfax Asia and [Brit] also contributed to our underwriting profit with a combined ratio of 95.1% and 93.9%, respectively. Gulf's combined ratio in the quarter was 102.4%, reflecting purchase price adjustments on the acquisition. Excluding the purchase price adjustments, Gulf combined ratio was 98.3%. Our insurance and reinsurance companies continue to manage their business and performance continues to be measured on underwriting profit on an undiscounted basis. For disclosure purposes, we have provided in our press release and interim report, the discounted combined ratio. For the third quarter, the discounted combined ratio was 83.9% compared to the undiscounted combined ratio of 93.9%.

In the quarter, our insurance and reinsurance companies had prior year favorable development of $130 million or a benefit of 2 points on our combined ratio. This compares to $56 million in the third quarter of 2023 or 1 point on our combined ratio. Our companies perform full actuarial reserve reviews in the fourth quarter and are in the process of that now. Our overall reserves remain strong.

The performance of our insurance and reinsurance operations have not gone unnoticed by the rating agencies. This year, our financial strength ratings and debt ratings were upgraded to A+ and BBB+ by S&P with a positive outlook. Allied World's A financial strength rating and Fairfax's BBB+ debt rating were put on positive outlook by AM Best, and Fitch revised the outlook on their BBB rating for Fairfax's debt to positive.

Through our decentralized operations, our insurance and reinsurance companies continue to thrive, consistently producing solid underwriting profit and led by exceptional management teams. Our companies are positioned very well to continue capitalizing on their opportunities in their respective markets. As a group, we benefit from our size and scale, writing approximately $33 billion of gross premium worldwide across a diversified book of business, both by product and geography.

I will now pass the call to Wade Burton to provide some additional comments on our investments.

Wade Sebastian R. E. Burton
President & Chief Investment Officer of Hamblin Watsa Investment Counsel

Thank you, Peter, and good morning, everyone. The investment results in the quarter were strong with interest and dividend income of $610 million, profits of associates of $260 million and net gains on investments of $1.3 billion. With that said, there was not a lot of activity in the quarter on the investment side. Fairfax total investment portfolio now stands at $69 billion to end the quarter, with $49 billion in fixed income and $20 billion in equities. Of the $49 billion in fixed income, $35 billion are in U.S. treasuries, other government bonds and cash. There are another $5 billion in mortgages and $9 billion in short-dated investment-grade corporates.

Including cash, average maturity is 3.7 years, and the yield is 4.7%. With inflation steadying at or around the Fed's target, the Fed cut rates 50 basis points in September with an eye to getting to a neutral stance. So many variables, including a very close U.S. election with widely differing policies to 2 candidates. We're studying it at all and watching it closely. For now, we continue to have a defensively positioned fixed income portfolio, while still making very healthy, very robust interest income.

For the $20 billion in equities, not much change. Our core holdings and investments continue to perform well, all making good income against invested capital. Our experienced investment team is constantly searching for new opportunities but as managers of insurance float, we have the very great benefit of taking a long-term approach to investing. It means we can wait for prices to come to us, and we won't invest unless we see a margin of safety. We did make 1 significant announcement in the quarter. We bought out our main partners in Peak Achievement, an athletic wear and equipment company focused on hockey and lacrosse. It is an outstanding business, operating in a highly consolidated industry well run by Ed Kinnaly, and his team, incredible track record, and we paid a fair price. We think we will make a very good return over the long run for our shareholders. And importantly, Ed runs the company very much in tune with the Fairfax culture.

Looking back over the last 2 years, we've made 3 significant long-term equity investments: one in Meadow dairy, a dominant nil ingredients company in the U.K. that is doing very well. Another in Sleep Country, a dominant mattress distributor and retailer in Canada and now third, Peak, a dominant sporting goods company focused on hockey and lacrosse. All immediately are or will contribute to our earnings and we believe all will continue to contribute more and more as their businesses progress.

I will now pass it to Jenn Allen, our CFO.

Jennifer J. S. Allen
VP & CFO

Thank you, Wade. Our net earnings in the third quarter of 2024 of just over $1 billion included a pretax expense of $732 million related to our IFRS accounting for insurance and reinsurance contracts. That net expense of $732 million from discounting insurance and reinsurance contracts was comprised of a net finance expense from our insurance contracts held of about $1.1 billion, which reflected interest accretion from unwinding the effects of discounting associated with the net losses on the claims of $348 million and the unfavorable effect of decrease in discount rates during the period on net loss on claims of $765 million. This was partially offset by a net benefit of $381 million from discounting losses and ceded loss on claims incurred in the period, net of changes in our risk adjustment.

As reflected in our third quarter of 2024, generally, a decrease in interest rate will result in an increase to the carrying value of both the company's fixed income portfolio and the net liability incurred for claims for insurance contracts. While the change to the carrying value of each of these will not necessarily be equal in magnitude when there's a movement in interest rates, the impact on the company's net earnings is mitigated. I'll refer you to Page 38 in the MD&A of the company's interim consolidated financial statements for the 3 and 9 months ended September 30, 2024 for a table that presents the company's total effects of discounting and risk adjustment on our net insurance liabilities and the effects of changes in interest rates on the company's bond portfolio. We set this out in the format that the company believes assists in understanding the company's net exposure to the interest rate environment.

In the third quarter of 2024, the decrease in discount rates during the period produced net gains on our bond portfolio of $829 million that exceeded the net finance expense of $765 million related to the effects of the decrease in the discount rates on our net loss on claims, which resulted in a net benefit of $64 million in the quarter. In the third quarter of 2023, we reported a net benefit of $459 million from discounting insurance and reinsurance contracts, principally related to the net benefit of discounting losses and ceded loss on claims of $387 million, which is recognized in our insurance service result as a reduction to losses and ceded losses, which was partially offset by net finance expense from insurance contracts and reinsurance contracts held of $8 million. That net finance expense of $8 million consisted of interest accretion from the unwinding the effects of discounted associated with our net claims payments made during the period of $369 million, partially offset by the effective increase in discount rates in the same period of $362 million.

Unlike the third quarter of 2024, in the third quarter of '23, we saw increase in the interest rates during the period, which resulted in a net finance benefit of $362 million related to the effects of increases in discount rates. On the company's prior year net loss on claims that exceeded the net loss on the company bond portfolio of $197 million, which resulted in the net benefit of $165 million in 2023.

A few comments on our noninsurance companies in the quarter, the operating income of our noninsurance companies reporting segment decreased to $49 million in the third quarter of '24, from $126 million in the third quarter of '23, which primarily reflected lower operating income in the other segment that was driven by lower margins at AGT and lower business volumes at Boat Rocker. And we also saw lower operating income at Fairfax India that was driven by lower share of profit from its investments in associates. This was partially offset by higher operating income in the reinsurance and Retail segment.

As Wade noted, with our recently announced Sleep Country and Peak Achievement transactions, we expect the operating income from our noninsurance companies reporting segment will grow in the future periods, reflecting the operating income diversity these investments will add to the segment. Our share of profit from investments in associates in the quarter, we reported consolidated share profit of $260 million principally reflecting the share of profit of $138 million from Eurobank and $62 million from Poseidon. That reflected in the 9 months of 2023 consolidated share of profit of associates of $609 million principally reflecting share of profit of $344 million from Eurobank, $163 million from Poseidon and $52 million from Peak Achievements that reflected its sale of Rawlings Sporting Goods that was partially offset by a share of loss of $60 million from Fairfax India's investment in Sanmar Chemicals Group.

On July 31, 2024, Eurobank paid a dividend of $370 million, of which the company's share was $128 million and was recorded in the third quarter of 2024 as a reduction to our Eurobank carrying value under the equity method of accounting. A few comments on transactions and updates in the quarter. As mentioned in prior quarter, on May 23, 2024, Digit Insurance, which is the general insurance subsidiary of the company's investment in our associate Digit completed its IPO. Digit Insurance common shares are now traded on the BSE and NSE in India and closed at INR 373 per share at September 30, 2024. The company's investment in Digit compulsory convertible shares is mark-to-market on a quarterly basis, reflecting changes in Digit Insurance's traded share price. That resulted in a net gain on investments of $184 million in the third quarter of 2024.

On October 1, 2024, the company through our insurance and reinsurance subsidiaries acquired all of the issued and outstanding common shares of Sleep Country Canada for purchase consideration of USD 881 million, that total purchase consideration was comprised of cash of $563 million and new nonrecourse borrowings to the holding company of $318 million by a newly formed purchasing entity, which amalgamated with Sleep Country upon close. The company will commence consolidating Sleep Country its noninsurance company reporting segment in our fourth quarter of 2024.

I'll close with a few comments on our financial condition. At September 30, 2024, our cash and investments at the holding company was $2 billion, with access to our fully undrawn $2 billion unsecured revolving credit facility that was amended in July to extend the expiry from July 14, 2028 to July 17, 2029, and we also have an additional $2.1 billion at fair value of investments in associates and consolidated noninsurance companies owned by the holding company and no long-term debt maturities until 2026. On July 19, 2024, pursuant to an agreement and in exchange for cash received from the holding company of $597 million, Allied World became the primary co-obligor on the company's 6.1% unsecured senior notes that are due in 2055.

On July 24, 2024, Allied World used the majority of those proceeds to redeem its $500 million principal amount of 4.35% senior notes that were due on October 29, 2025. In the first 9 months of '24, we purchased for cancellation a little over 1 million subordinate voting shares, principally under our normal course issuer bid at a cost of $1.1 billion or USD 1,113 per share, of which 159,000 subordinate voting shares at a cost of $181 million were completed in the third quarter of 2024.

At September 30, '24, our excess of fair value over carrying value of our investments in the noninsurance associates and market trade consolidated noninsurance subsidiaries was $1.9 billion compared to the $1 billion at December 31, 2023. That pretax excess of $1.9 billion or $87 per share is not reflected in our book value per share, but is regularly reviewed by management as an indicator of the underlying investments performances. And included in that $1.9 billion is approximately $366 million gain anticipated to be recognized by the company in the fourth quarter of 2024, relating to our sale of Stelco's common shares.

The company's total debt to total capital ratio, excluding our noninsurance companies, increased modestly to 24.2% at September 30, 2024 compared to 23.1% at December 31, '23, reflecting increase in total debt that was offset by our increased shareholder equity, principally reflecting the strong net earnings in the quarter and this 2024, 9 months reduced by purchases of our subordinate bonding shares for cancellation I mentioned previously. Our book value per share was over $1,000 at $1,033 at September 30, '24, compared to the $940 at December 31, '23 representing an increase in our book value per share in the 9 months of 11.7% adjusted for our Q1 dividend.

And in closing, our common shareholder equity increase by just over $1.1 billion to $22.7 billion at September 30, '24, up from the $21.6 billion at year-end '23, reflecting the strong net earnings in the first 9 months of '24 attributable to Fairfax shareholders of $2.7 billion, which was partially offset by the purchase of the 1 million subordinate voting shares for cancellation for the cash consideration of the $1.1 billion at the USD 1,113 per share and payments that we made on our common and preferred share dividends of $400 million. That concludes my remarks for the third quarter of 2024, and I'll turn this call back over to Peter.

Peter S. Clarke
President & COO

Thank you, Jenn. We now look forward to answering your questions. [Operator Instructions].
Cedric, we are now ready for questions.

Question and Answer

Operator

[Operator Instructions] And our first question comes from Nik Priebe with CIBC Capital.

Nikolaus Priebe
CIBC Capital Markets, Research Division

So interest and dividend income was sort of flattish in the quarter sequentially. In light of market yields retracing higher here, what's your internal view on how the new money rate today might compare to existing book yield? Just trying to get a sense of whether you see with maturity rollovers or whether that looks fairly balanced today?

Peter S. Clarke
President & COO

Nik, it's Peter here. Yes, I think as we said, we have -- we think we've locked up a $2 billion plus of interest and dividend income for the next 3 to 4 years. And even with rates coming down somewhat, we're able to invest still at fairly good yields. And it's currently running more at close to $2.5 billion. So again, we think that $2 billion is a good proxy for the next 3 to 4 years.

Operator

Our next question comes from Tom MacKinnon with BMO Capital.

Tom MacKinnon
BMO Capital Markets Equity Research

Just with respect to -- we've heard other companies talk about Hurricane Milton loss estimates. Are you able to share anything with us with respect to what the impact of Milton could be for your fourth quarter?

Peter S. Clarke
President & COO

Sure. I can't give you an exact number, but we can point you in the right direction. We're still collecting the information. We had our model losses, but it's been slow, the reported losses coming in. We really think that it will easily come within the cat margin for the fourth quarter. And so it should not have a significant effect on the combined ratio.

With that said, we've had a number of hurricanes in the third quarter. And fortunately, they haven't hit some of the larger centers in Florida. And Hurricane Milton was a big hurricane and if it were to hit Tampa, we would have had a different outcome. For us, we're benefiting though, from our size and scale and we modeled that loss even a direct hit into Tampa in Category 4. And we think that we still would have had underwriting profit for the year even under a significant event like that.

Tom MacKinnon
BMO Capital Markets Equity Research

Can you share the cat margin that you say it's within?

Peter S. Clarke
President & COO

The cat margin, we don't really disclose that. If you look at it currently, we've been absorbing over $1 billion of catastrophes the last number of years. So that should give you some sense of where our combined ratio is coming in and the cat load. Typically, it's about 5% to 6% in the combined ratio.

Operator

Next question comes from Jaeme Gloyn with National Bank Financial.

Jaeme Gloyn
National Bank Financial, Inc., Research Division

Just wanted to maybe touch on the growth outlook and what you're seeing in the markets growth in run around the low single digits on an organic basis. Are you positive? Are you maybe more cautious on the markets where you're operating? Can you give us a little bit more color as to where you see that trending over the next year?

Peter S. Clarke
President & COO

It's difficult to predict, but in the third quarter, our premium was up -- it was up 14%. But as I said, that included the addition of the Gulf premium. Excluding that, it was about 3%, which it has been running the last number of quarters, give or take. But what we benefit from is if you look -- if you go across all our companies, we had Crum & Forster up 13%, Northbridge, up 5%, Allied up 3%. Our international operations, excluding Gulf, are growing quite nicely as well, they are up 9%. And then you have Odyssey that were down 5%. But as I mentioned, that includes that 1 one-off quota share treaty that the effects of that will unwind in the fourth quarter. So it will be more normalized growth going forward.

And Brit then we're down 4% in the third quarter. And I think you'll see that turnaround as well as they've been really focusing on the margins in their business and cutting back and reallocating capital to more profitable lines. So I would expect that the -- you'll see Brit on the positive sign of premium growth going forward. But really, the companies are, number one, they're focused on underwriting profit. And that's the goal and growth is secondary. The other thing I'll mention, though, is if you go back over the last 5 years, we've grown our premium base by about 12% per year and really grew during the 2023 time period right in the hard market where we grew about 18.5% per year. So the company did an outstanding job of taking advantage of the market and that's what we want them to do. And so we'll keep looking for opportunities, and we'll see what comes.

Operator

Our next question comes from Scott Heleniak with RBC Capital Markets.

Scott Gregory Heleniak
RBC Capital Markets, Research Division

The accident year loss ratio in Q3, excluding catastrophes and reserve development, it definitely track better than what you saw in the first half of the year. And is there anything you can call out on that? Any seasonal benefits or mix or any different product areas where you saw improvement in the core loss ratio compared to where it had been tracking? Anything you can expand on that?

Peter S. Clarke
President & COO

On a quarter basis, it's difficult as there's lots of fluctuations in the numbers and -- because you can have not only development on prior years, but you can have development in the quarter on previous quarters of the same year. So I wouldn't -- off the top of my mind, I wouldn't say there's anything unusual in there. It's just quarter-to-quarter, you can see fluctuations in the ex-cat, ex prior year development combined ratio.

Jenn, anything to add to that?

Jennifer J. S. Allen
VP & CFO

Yes. No, I think it's just a volatility within the quarter. I would look at it more on a consistent basis within the 9 months, if you're looking at 2023's cat versus 2024, we're relatively in line excluding the cats, we're at the 61% on a loss ratio basis, which is consistent period-over-period.

Operator

Our next question comes from [Akshay Talahal], Private Investor.

Unknown Analyst

I've been an investor for over 4 years, and it's been a happy investment so far. I want to congratulate on the fantastic quarter. I had a question on the investment of an insurance subsidiary. So in the report, you mentioned about $100 million investment in Marval Guru Fund. So I wanted to ask if you could please expand on that. And also, you mentioned about a $50 million investment in the same fund in 2017. So I was curious to know how has that performed since then from an annualized perspective?

Peter S. Clarke
President & COO

Sure. Yes, Marval fund, it's an investment fund. And we initially invested a number of years ago. And simply put, the results have been outstanding over the time period. Over the last 5 years, the fund has produced a return of over 22%. And it is a related party transaction. So that's why we disclosed it. And for related party transactions, we have policies and procedures in place that must be followed and one of those is the disclosure, and that's why it was in our interim report.

Operator

Our next question comes from Michael Kane with Davenport & Company.

Michael Joseph David Kane
Davenport & Company LLC

Considering the current discount book value, could you please comment on the lack of share buybacks at Fairfax India over the last couple of quarters?

Peter S. Clarke
President & COO

Thanks, Michael. Thanks for your question. The Fairfax India, yes, it continues to trade below book value. We think over time, that will reverse. And there's not a lot of liquidity but we continue to keep that option where Fairfax India does. And they'll be looking at -- in those over time, buying back their own shares. And not a lot more to say on that.

Cedric, do we have any more questions?

Operator

Yes. I believe the name is Ruby with Enova.

Unknown Analyst

Thank you very much for the excellent presentation. Well done, Peter. I just want to look forward a little bit. I'm glad that you guys are focusing on underwriting profit as the goal versus growth. But when we look around the world, lots of uncertainty, lots of growth in India, but what about your LatAm operations, in particular, Argentina, which is very small right now, but a more business-friendly climate with the new change in leadership and potential for growth, both growth and profitability is sort of wondering what your comments would be growth similar to India, but much more -- much less exposure right now. I'd appreciate some input on that.

Peter S. Clarke
President & COO

Thanks, Ruby. Yes, that's -- as I said in our opening remarks, we're -- our international operations, we're quite excited about. And we have those opportunities all around the world. A lot of the companies we have, like you said, in Argentina are small today. But over time, there's potential for significant growth. And you look at Fairfax, it started as a $10 million company almost 40 years ago. And we have a lot of those companies situated around the world. And the prospects of not only in Argentina, but India, Asia, it's really -- we're excited about that. But we take the long-term approach. We're not looking even 5 years, but 10 years, 20 years. And we do see that some of these companies could be a significant part of the overall portfolio.

Operator

Our next question comes from Jaeme Gloyn, a follow-up.

Jaeme Gloyn
National Bank Financial, Inc., Research Division

Yes. Thanks. And since we're on round 2, maybe I can sneak a couple in here. First one is just around the duration of the fixed income portfolio. I don't think it was disclosed in the results or the report, if you could just give us an update on how that duration sits in compared to the liabilities. And maybe thinking about the strategy here around fixed income? Is it a little bit of wait and see on the election? Or do you have some strategies maybe you're thinking about deploying more capital in the longer-dated maturities, shifting more into corporate bonds? Maybe you can sort of talk through how you're thinking about the world on fixed income.

Peter S. Clarke
President & COO

Sure. The duration on our bond liabilities on around 3.5 years. So it's a little longer than it was last quarter. And if you look at our liabilities, it's relatively close. We don't match on purpose, but where we sit today, liability duration is close to our asset duration. And you can sort of see that in the IFRS 17 numbers, that we had a big loss on discounting, about $750 million, $760 million. That was offset almost very closely with the $800-plus million of gains on our bond portfolio. So we're pretty much matched where we are today.

As far as going forward, I think all that we could say on that is we're very happy that the fixed income portfolio is very liquid. And with the duration of 3.5 years, it gives us lots of flexibility for opportunities in the future. We don't have any significant exposure on the corporate side. Our corporate bonds are 1 to 2 years, very short dated. So that is an opportunity if credit spreads should widen in the future.

Operator

Our next question comes from a follow-up with Tom MacKinnon with BMO Capital.

Tom MacKinnon
BMO Capital Markets Equity Research

It's a question with respect to the tax rate. It used to track kind of in the low 20s, maybe. And now it's been sort of closer to 25%. I mean, how should we be thinking about that going forward? is what we're seeing in the quarter, that 25%, is that what you would expect going forward? Does that kind of reflect some GMT or any other issues that may have happened in 2024?

Peter S. Clarke
President & COO

Thanks for the question, Tom. Yes, the tax rate is elevated in the quarter, and there's a lot of things going on, as you might know, on the tax side. But why don't I pass it to Jenn, who can give us a little more detail.

Jennifer J. S. Allen
VP & CFO

Yes. Thanks, Tom. So yes, as Peter indicated, there is a lot of moving parts within the global tax regime. So as you indicated, our effective tax rate is seen at 25.1% elevated over 2023. Couple of things driving that. So in 2024, we now are under the global minimum tax, where there's a 15% mandated tax in certain jurisdictions that we didn't have prior primarily being in Bermuda. So on a YTD basis, included in that number is about $107 million, about $30 million expense in the quarter. We also have a change in the tax rate legislation in India where they change their long-term capital gains rates that also cost us another about $50 million in the quarter.

There's a couple of other things we're still closely watching, which is the interest limitation tax rules in place. Certainly, no impact materially on our financials, but there could be and that's where the 30% limitation rule could come into play at the holding company, and then we're still tracking quite closely the capital gains rate, the inclusion rate change that's coming in Canada as well. So as Peter indicated, a lot of moving parts on tax, I think trying to normalize what that effective tax rate would be is, is a little difficult, but I would say it is going to be elevated from prior year if you kind of put in maybe a 22% to a 25%, you're probably going to be in the ballpark where we'll land.

Operator

Another follow-up from Jaeme Gloyn with National Bank.

Jaeme Gloyn
National Bank Financial, Inc., Research Division

Yes. Thanks. Granted you're doing a bigger review on reserves this quarter. But just given a little bit more attention paid to this on some U.S. insurers and on casualty reserving. Is there anything you were seeing in Q3 specifically? Or maybe even gotten a little bit of a head start on the reserving review for the end of the year. Is there some extra color you can provide around that and how Fairfax has been performing from a reserve standpoint specifically on casualty?

Peter S. Clarke
President & COO

Thanks, Jaeme. Yes, as you said and I said in my opening remarks, we're just going through the full actuarial reviews at all our companies in the fourth quarter. And we'll have more to report on our year-end call and in our annual report. But for the year, we've had $300 million of favorable development. So our reserves continue to run off well, $130 million of that was in the third quarter. And we really believe we have a great process in place instilled within the companies for conservative reserving. It's very important. And this is -- the last year was our 17th year in a row that we've had favorable development. And for the first 9 months, we've had $300 million.

But in regards to U.S. casualty, it's an industry -- the industry is feeling the effects of the social inflation and nuclear verdicts. And our companies are seeing it as well, as I said in the past, mainly Crum & Forster and Allied, and they have been strengthening some of these accident years 2014 to 2018 in particular. But more or less have had IBNR up or offsetting redundancies in other lines of business. So in total, we've -- our reserving has been quite strong.

In the third quarter, there was no -- on these years, there's been no significant strengthening on U.S. casualty reserves. So overall, we think our reserves are in really good shape.

Operator

Next question comes from Marco Pasteris, a Private Investor.

Marco Pasteris

Could you please provide a little bit more of color on Fairfax India result actions and results, please?

Jennifer J. S. Allen
VP & CFO

Yes. Marco, I was just going to say Fairfax India is a public company, similar to their, in fact, they released their Q1 interim report yesterday at 5:00 p.m. You can get that report off their website. If you have any additional questions, you could reach out to the investor line.

Marco Pasteris

Yes, okay. I just wanted to have your comments like you commented on the Fairfax Financial Holding, I mean, if possible?

Peter S. Clarke
President & COO

Yes. Fairfax Financial Holdings. Yes, we -- typically, we don't comment on Fairfax India's underlying results.

Operator

No further questions, Peter, back to you.

Peter S. Clarke
President & COO

Well, if there are no further questions, thank you for joining us on this call, and thank you, Cedric.

Operator
You're welcome. Thank you, and that concludes today's conference. You may all disconnect at this time.