S&P Capital IQ

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Fairfax Financial Holdings Limited TSX:FFH

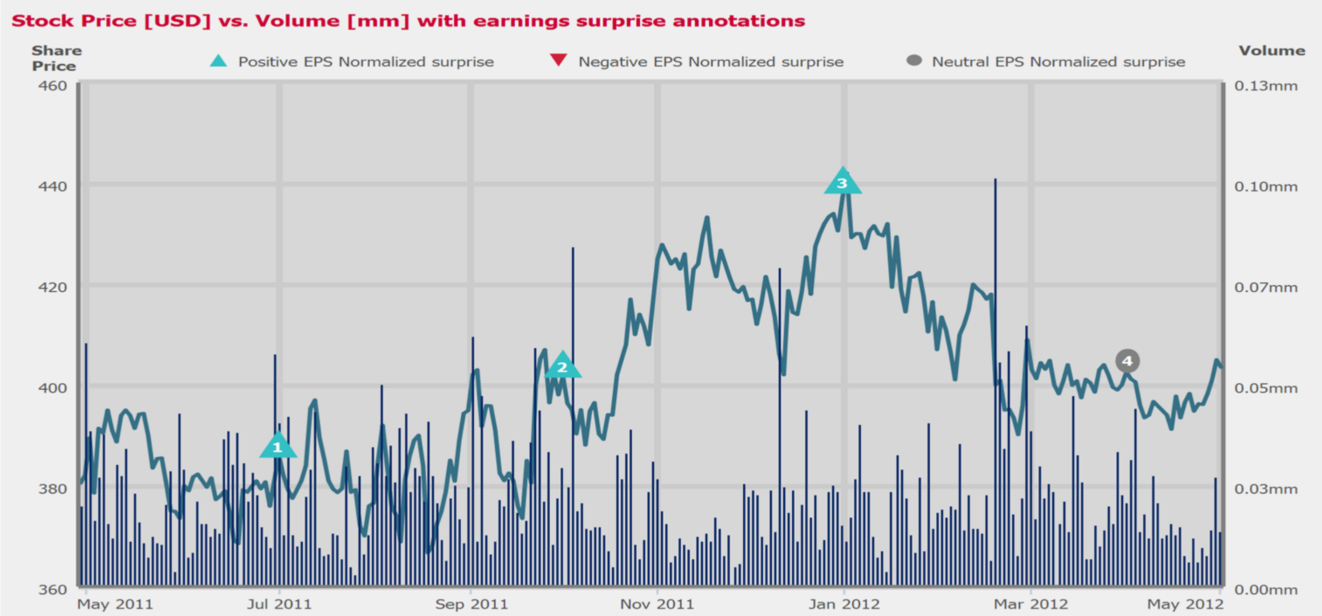
FQ2 2012 Earnings Call Transcripts

Friday, July 27, 2012 12:30 PM GMT

S&P Capital IQ Estimates

	-FQ2 2012-			-FQ3 2012-	-FY 2012-	-FY 2013-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	6.74	3.85	(42.88 %)	5.28	11.50	24.57
Revenue (mm)	1741.25	1845.20	5.97	1895.60	7121.05	7754.10

Currency: USD
Consensus as of Jul-27-2012 11:49 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2011	12.60	19.14	1 51.90 %
FQ3 2011	26.35	53.29	2 102.24 %
FQ4 2011	2.43	21.40	3 780.66 %
FQ1 2012	4.35	(0.69)	NM

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Call Participants

EXECUTIVES

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Chief Financial Officer and Vice President

John Charles Varnell
Vice President of Corporate Development

Paul C. Rivett
President

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

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RBC Capital Markets, LLC, Research Division

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Robert Roell

Tom MacKinnon
BMO Capital Markets Equity Research

Wayne G. Cadwallader
Elkhorn Partners L.P.

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Presentation

Operator

Good morning, and welcome to Fairfax's 2012 Second Quarter Results Conference Call. [Operator Instructions] Today's conference is being recorded. If you have any objections, you may disconnect at this time. Your host for today's call is Prem Watsa, with opening remarks from Paul Rivett. Mr. Rivett, you may begin.

Paul C. Rivett
President

Thank you, Carol. Good morning, and welcome to Fairfax's second quarter conference call. 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 listed in Fairfax's annual report, which is available on our website and set out under risk factors in our base shelf prospectus filed with Canadian securities regulators.

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

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

Thank you, Paul. Good morning, ladies and gentlemen. Welcome to Fairfax's second quarter conference call. I'd like to give you some of the highlights, and then pass it on to John Varnell, our CFO, for additional financial details.

As discussed in our press release, this will be John's last call as CFO as he passes the baton on to Dave Bonham, who will be our new CFO. John will become Vice President, Corporate Development, while continuing to assist as Fairfax's liaison with the financial community.

John has done a wonderful job for us over 25 years. Dave has been with us for 8 years, most recently as Vice President, Financial Reporting. A big thank you from all of you to John and a warm welcome to Dave in his new role.

In the second quarter of 2012, book value per share was up slightly from year end, adjusted for the $10 per share common dividends paid out in the first quarter of this year. We had a much improved underwriting results on increased premiums, and we've produced a small investment gain, notwithstanding unrealized investment losses related to our defensive hedging strategy. And we again finished the quarter with cash and marketable securities as a holding company in excess of $1 billion.

Consolidated combined ratio for Fairfax in the second quarter and year-to-date was 97.5% and 98.1%, respectively. Reserve redundancies were $48.8 million or 3.6 points on a combined ratio in the quarter. We continue to reserve conservatively. While some of our companies have combined ratios about 100% recently, I will remind you of 2 points I made at our annual meeting. In the last 10 years, all our companies have had an average combined ratio of less than 100% on a fully developed accident year basis. It was only common for us to being at about 100%.

We have had redundancies, on average, of 6% to 8% each year over the past 10 years. As I said in the first quarter call, we are growing again. The large catastrophe losses in 2011, very low interest rates and the reduced reserve redundancies means that no place to hide for the industry. Combined ratios have to drop well below 100% for the industry to make a single-digit return on equity with these low interest rates.

Net premiums written by our insurance and reinsurance operations increased 14% to $1.57 billion from $1.37 billion in 2011.

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At the subsidiary level, net premiums written in the second quarter of 2012 were as follows: for Zenith, up 19%; Crum & Forster, up 22%; OdysseyRe, up 35%; Fairfax Asia, up 5%; and Northbridge, in Canadian dollars, down 6%.

Net investment gains of $71.5 million in the second quarter of 2012 consisted of the following. Please note the table on Page 2 of our press release.

In the second quarter, net losses on equity and equity-related investments of $584 million were all unrealized, as you can see from the table, and were largely neutralized by the net unrealized gains of $389 million on our equity hedges. After bond gains of $282 million, $7 million in unrealized CPI-linked derivative gains and other losses of $23.2 million, we had a net gain of $71.5 million.

We continue to be approximately 100% hedged in relationship to our equity and equity-related securities, which includes convertible bonds and convertible preferred stock. We continue to be very concerned about the current strength of the financial market and the economies of North America and Western Europe, accentuated by the breaking of the real estate bubble in China in late 2011.

As of June 30, 2012, we have almost $8 billion in cash and short-term investments, over 30% of the investment portfolio, to take advantage of opportunities that may come our way. In the short term, our investment income will be reduced.

Please put the additional $190 million we invested it -- we invested in July in rent [ph], in perspective relative to the $24 billion size of our investment portfolios.

On June 18, 2012, the company announced an agreement to purchase the runoff business of Brit Group for about 94% of book value, which would require a cash payment by the company's runoff operation of about $330 million. The transaction is expected to close in the fourth quarter of 2012.

On May 21, 2012, the company announced an agreement to purchase 77% of Thomas Cook (India) Ltd for about $150 million, and the transaction is expected to close in the third quarter of 2012.

Now I would like to turn it over to John and Dave, so they can give you some information on the underlying financials. John?

John Charles Varnell
Vice President of Corporate Development

Thank you, Prem. I'll talk about the operating company results, and then Dave will finish up with consolidated results and financial position.

The Fairfax consolidated catastrophe losses for the second quarter of 2012 were above $46.1 million pre-tax or a 3.4 combined ratio points from a number of smaller of losses, the largest being the Italian earthquake. In terms of 2012 prior period reserve development, Fairfax had $48.8 million of favorable reserve development for the quarter or 3.6 combined ratio points compared to $50 million favorable in 2011, which was 3.9 combined ratio points. So that works out to a second quarter accident year combined ratio in 2012 of 101.1, including cat losses, and that compares to a 2011 accident year combined ratio of 104.4.

So now I'll move to the operating companies, starting with OdysseyRe. In the second quarter of 2012, their combined ratio is 85.8 million -- or their combined ratio was 85.8, and they generated an underwriting profit of $73.9 million.

In 2011, Odyssey had a 93.1 combined ratio or an underwriting profit of $32.2 million. On an accident year basis, the combined ratio at Odyssey was 87.8 for 2012 compared to a 93.5 in 2011. Cat losses in 2012 for Odyssey amounted to $30.6 million or 5.9 combined ratio points compared to Odyssey cat losses in 2011 of $46.8 million or 10.2 combined ratio points. Odyssey's net premiums written increased 35% in the second quarter of 2012 to $620.3 million from $459.7 million the year before, which reflected increased writings, primarily in property quota share reinsurance.

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Crum & Forster in the second quarter 2012 had a combined ratio of 102.4 and an underwriting loss of $7.3 million compared to 103.4 in 2011 and an underwriting loss of $8.4 million. On an accident year basis, the combined ratio was 102.4 in 2012 compared to 102.7 in 2011. Net premiums written at Crum & Forster were $329.2 million compared to $270.7 million in 2011, and that reflected increased writings of excess and surplus casualty lines of business, property lines and specialty business. And that resulted in a year-over-year increase of 21.6% in net premiums written in the second quarter of 2012.

Zenith had a combined ratio for the quarter of 116.4 and an accident year combined ratio of 116.4 compared to a combined ratio in 2011 of 129.3 and an accident year ratio of 123.8. Improvements reflected the 7.2% combined ratio decrease in Zenith's expense ratio due to the rising net premiums. Net premiums written by Zenith were $125 million in the second quarter compared to $105 million in 2011, an increase of about 19%. And that reflects Zenith's ability to write new business and retain existing customers at higher prices, as the competitive environment for the workers' compensation business changes.

Northbridge's second quarter 2012 combined ratio was 105.6 compared to 104.3 in 2011. On an accident year basis, the combined ratio at Northbridge was 114.2, as Northbridge benefited from favorable development of 8.6 combined ratio points. Net premiums written by Northbridge were $289.3 million for the quarter compared to $336 million in 2011 measured in U.S. dollars. The net premiums written at Northbridge decreased slightly when you restate them into Canadian dollars.

For the second quarter of 2012, the combined ratio at Fairfax Asia was 88.8 compared to 85 in 2011, and they generated an underwriting income of $6.3 million compared to $8.1 million in 2011. The second quarter 2012 accident year combined ratio was 94 compared to 97.9 in 2011. Net premiums written by Fairfax Asia were $54.8 million compared to $52.2 million in 2011. The net premiums written increased by 5% as a result of increased ratings of commercial automobile, marine hull and property lines of business at Pacific Insurance.

The Reinsurance and Insurance Other division in the second quarter had a combined ratio of 100.9 compared to 92.7 last year. There was favorable development of 12.4 points in 2012 compared to 26 points in 2011. The net premiums written increased to $148.3 million from $146.4 million.

And finally, our runoff group had another good quarter and earned $78.9 million pre-tax in the second quarter of 2012 compared to $144.9 million earned in 2011 as a result of lower net investment gains.

Now I'd like to turn it over to our incoming CFO, Dave Bonham.

David J. Bonham
Chief Financial Officer and Vice President

Thanks, John. I'll give you a quick overview of the consolidated results and the financial position. For the second quarter of 2012, Fairfax had a net profit of $95 million. That compares to a net profit of $83 million in the 2011 second quarter. Fully diluted earnings per share was $3.85 per share compared to $3.40 per share in the same period last year. For the second quarter of 2012, Fairfax had a combined ratio of 97.5%, reflecting an underwriting profit of $35 million. That compares to a combined ratio of 100.5% in 2011 that reflected an underwriting loss of $6 million.

The second quarter 2012 catastrophe losses were $46 million or about 3.4 combined ratio points, which was lower than the second quarter of 2011 catastrophe losses of $72 million or about 2.7 combined ratio points.

Consolidated interest and dividend income decreased by 46% from $195 million in the second quarter of 2011 to $105 million in the second quarter of 2012, primarily as a result of sales during 2011 of higher-yielding bonds, the proceeds of which were reinvested into lower-yielding cash and short-term securities and also reflected higher total return swap expenses, partially as a result of the timing of dividends related to those TRS positions.

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The average portfolio size at fair value was comparable on a year-over-year basis at $24.6 billion at June 30, 2012, compared to $24.1 billion at the end of last year. We ended the quarter with an investment portfolio, which included holding company cash investments of $24.1 billion.

In terms of financial leverage, our quarter-end total debt to total capital ratio decreased to 25.8% compared to 26.4% at December 31. In April 2012, the company had repurchased its $86 million in maturing debt at par.

That concludes my section, and back to you, Prem.

V. Prem Watsa
Founder, Chairman and Chief Executive Officer
Thank you very much, Dave. Now we are happy to answer your questions.[Operator Instructions] So Carol, we're ready for questions.

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Question and Answer

Operator

Our first question...

Paul David Holden
CIBC World Markets Inc., Research Division

Paul Holden, CIBC. Two questions. The first one though is pretty quick. And that is, any kind of color you can provide us on crop insurance that you may have in the U.S., given the drought conditions down there? And then second question is, as you de-risk the investment portfolio and move more money into cash -- I understand you said you wanted to keep that cash down and take advantage of opportunities that may arise. But does it makes sense in the intermediate term to decrease financial leverage, given you're getting sort of a negative spread there on your cost of debt versus what you can earn on your cash investments?

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

Yes. So Paul, your first question was on crop insurance, right?

Paul David Holden
CIBC World Markets Inc., Research Division

Yes.

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

Yes. So you all know that the crops are being affected in the United States. Our results have not been affected by crop losses in the second quarter, but we anticipate that due to the drought conditions in the United States in the third and fourth quarter, crop losses will increase. But we don't expect that the losses will be significant for us, as our crop business is very small relative to our overall premium base. We're at $190 million, $200 million in terms of total crop premium. The majority of crop premiums are outside the states that have been significantly affected by the drought conditions. We continue to monitor the situation closely, but this is really not a major concern for us right now. Secondly, on your -- we have a significant cash position. And what we would do with it, of course, over 27 years, Paul, we've never been able to anticipate what can happen in the future. But if I take you back to 2008, 2009, the fact that we had 75% of our investment portfolios in cash and government bonds, gives us the ability to take advantage of the crisis that had risen until late 2008 and early 2009. And so we -- it's not so much of a forecast. We just think that spreads are low in the bond markets, and we think it doesn't make sense to reach for yields. And stock prices have basically doubled from 2009 lows. So we think this is a good time to be very conservative. Lots of concerns, as you know, in Europe and in the United States as the U.S. economy slows and of course, in China. And so our worry is that the world over, we have very little ammunition left. And so we continue to be concerned and have hedged our equity portfolios. But that's where we are, Paul. We have a very conservative -- we have a very strong financial position with our $1 billion plus of cash and marketable securities as a holding company. Whatever we do, we want to continue to maintain that cash and marketable position. And in terms of financial leverage, we repaid some, John, about $80 million of debt in the second quarter, Fairfax bond, we have retired it. And we will continue to retire some bonds as we move forward.

Operator

Next question.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

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Mark Dwelle, RBC Capital Markets. A few questions. First, on the new quota share agreements at OdysseyRe, that was a pretty substantial couple of pieces of business win. The fact that was around $150 million in premiums in the quarter, is that a reasonable run rate to think about? Or was there some type of front-loading or catch-up related to the amount seen in the second quarter?

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

So that was a significant piece of business that OdysseyRe acquired, Mark. On these businesses, when they -- when you get them, the incumbents has had losses that they have gained in the past. And so, normally, they would require a significant rate increases. And the person who has the company that hasn't taken a part of these losses can perhaps get it at a lower rate. The terms have changed dramatically, and the pricing has improved. And so our OdysseyRe underwriters feel very comfortable that this is -- that this will work out over time. But John, in terms of the run rate?

John Charles Varnell
Vice President of Corporate Development

Yes. The run rate, you said it was probably 250. That's about the right range, maybe 250 to 300.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

That's quarterly or annually?

John Charles Varnell
Vice President of Corporate Development

Annually. Annual run rate.

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

That's an annual run rate, Mark.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Okay, the second question, just kind of pressing through some of the comments in the interim report related to Northbridge. It's seems like there's a, I'd say, fairly substantial change in direction going on there, exiting U.S. property business, some refocusing. Could you just talk a little bit about what's going on there and why these changes are viewed as necessary at this point?

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

Yes. So the one major change that took place, of course, is the fact that the 3 companies have come together, right? That began early in the year, Northbridge Insurance. Specifically, in Commonwealth -- the old Commonwealth, we used to write U.S. property business. And it didn't make any sense to do that. So we moved that to Hudson. So the property business we described in our quarterly report has been moved to Hudson. So our premium decreased the market less, if of course, if you take that into account apples to apples. But in Northbridge, we have excellent reserving. So we're very focused on having very conservative reserving. The price increases, the rate increases that we have seen in the United States, in some areas where you take, I think workers' comp in California, Florida -- in Canada, Canada always lags in terms of rate increases. And of course, just the transition to one company, that we figure will take 18 months or so. And so all of these things are going through. We feel very comfortable with what's happening under Sylvy Wright's leadership. And we expect the combined ratios to come down significantly over time. But we've got a very good company, very good reserving in terms of our combined ratios. I mentioned those at that. At this time, and just coming out of a soft market, not in any significant way I may add, but just coming out of a soft market, it's always important to have good reserving. And that's what we have at Northbridge and Crum & Forster and Odyssey.

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Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Okay. And one last sure quick question, if I may. Related to the CPI hedge, the indices that those relate to, are those sort of headline numbers CPI? Or those excluding energy-type indices?

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

They are pretty well CPI numbers that you see. They're headline numbers, Mark. And yes, they're very much the headline numbers here. And in Europe -- they're the 2 big ones. We have the small amount at the U.K.

Tom MacKinnon
BMO Capital Markets Equity Research

Tom MacKinnon, BMO Capital. I've got a question with respect to the BIL acquisition, if I may. It's the second acquisition of a runoff business you've made over the last 2 years here now. And it looks like the runoff share of assets is obviously going to be increasing and its share of your total capital is going to be increasing, maybe closer to 15% or 20%. From a strategic perspective, why would you want to continue to invest in runoff business, if you think that the industry would -- would see some sort of firming going forward? I suspect you wouldn't be able to get -- take advantage of that opportunity if you were to increase your holdings in runoff. So maybe you can kind of think -- is there a little bit of change in strategy here with respect to beefing up runoff or is it just some opportunistic things that you see?

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

Yes. Tom, that's a good question. You'll remember we're decentralized. You'll remember that runoff is separately capitalized. So this purchase is coming in through our runoff companies, so it doesn't affect the capital in any of our ongoing operations. We expect to finance this at the runoff level. And these acquisitions are not strategic at all but opportunistic. Tom, what happens is when we bought GFIC, as you'll remember about 18 months ago, it was one of the best investments we've made. Here, we are buying a company at -- we think at -- that we're preserving 94% of book value, and it's got a very significant investment portfolio. At the end of March, it was $1.9 billion. It will come down some with -- at the closing conditions that take place. But these -- and we've got a group, Tom, who examines claim by claim, go through all the details. And it's making sure that our downside is protected. And so we found them to be very good investments. They come in -- you can't predict when they come. This happened to us -- come in recently. So when we see them opportunistically, when we can finance them at the runoff level, not using cash from our holding company and when our companies are all well capitalized, then we'll take advantage of them. But that's how we look at it, Tom. We -- as you follow our GFIC acquisition and some of the others we've made, you'll see these are very significant -- significantly profitable investments for us.

Operator

Jeff Fenwick. [Operator Instructions]

Jeffrey Michael Fenwick
Cormark Securities Inc., Research Division

Jeff Fenwick of Cormark Securities. I think most of my questions have been answered, but I wanted to ask one on the workers' compensation area in the U.S., and that's clearly shown some good volume growth there. I'm just wondering what you think the prospects are? Do you see that trend continuing? Things are obviously still challenging south of the border. The prospects of growing volume there are starting to get Zenith working its way down towards 100% combined ratio level. What sort of are your feeling around how that business is going now?

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

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Yes. So just to put it in perspective, Zenith used to write $1.1 billion. And in the soft cycle, under Stanley's leadership, they took it right down to $450 million by Stanley and Jack Miller, who is the -- now the current CEO. And so, the people who wrote business at that time, Jeff, had been pulling back, of course, because the pricing wasn't appropriate. And while they pull back, we get the opportunity to write some more business. The prices have gone up, as we've I said, 9%, 10% for the 2012. And we expect them to continue to go up. And I think we're running at around $600 million right now annualized, Jeff. And over time, as long as these trends continue, we have the ability to write business -- write the amounts of business that we wrote in the past. And Zenith is highly disciplined. I have mentioned to you that over 32, 33 years, the combined ratio has been, on average, 95%. So when you go through periods like this in the last few years, where the combined ratios have been 125%, 130%, 135%, well, rest assured, we'll -- they'll have to have combined ratios much less than 100% to get the average down to 95%. And that's what's happened to them in the past. We expect that to happen again in the future.

Jeffrey Michael Fenwick
Cormark Securities Inc., Research Division

And perhaps one question on M&A. We started to see a little bit of more movement in the Canadian marketplace, and then that certainly hasn't been a factor for Northbridge for quite some time. And do you think there might be some opportunities in the Canadian marketplace? Or maybe your priorities still lie elsewhere in the emerging markets or the U.S.?

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

No. We're very much aware of the opportunities taking place in Canada and elsewhere. We're focused on the commercial side, as you know, not on the personal side. Our expertise is on the commercial end. And we are pretty sizable on the commercial end. And so we'll continue to look for opportunities. We like companies that have demonstrated underwriting profitability on the commercial side. And so that continues to be our focus, Jeff, and they're very much interested in Canada. That's where we began. And so no -- we haven't deemphasized it at all.

Operator

Next question.

Wayne G. Cadwallader
Elkhorn Partners L.P.

Wayne Cadwallader, Elkhorn Partner. Just a quick one back on the Brit Insurance. It's a company, I remember from some years ago, and they had questionable approach to their underwriting. And also the -- on the investment side, and I guess, 2 things. As I'm sure there's lots of opportunities in combining the book with your current runoff and therefore, some good synergies. And plus, on the investments, what did you do to clean up the investment side quickly to make sure that's all solid? If you could respond to that, would be great.

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

Sure. That's 2 things. Just on the -- on Brit, when Nick Bentley and our runoff group did that due diligence, of course, there were some liabilities, some reserves that they weren't as comfortable. And so they have a reinsurance. They reinsured it back to Brit, so that over the next 18 months, they did more due diligence than perhaps computed [ph]. So that's one level of protection, Wayne. In terms of -- and not only a 94% of book value, but that reinsurance transaction had been done. And the second -- on the investment side, of course, it's a significant portfolio. Right now, we're very conservative. But these things change, Wayne. The investments markets are not static. They change, and they could change dramatically. So we are -- we have the flexibility of using these monies as and when changes take place. We've got lots of cash right now in our own portfolio, the $8 billion. But in -- and just going back to 2008 and our 27-year history, we've never been able to say when things change. But when they change, the companies that have cash, have government bonds, are in a very strong position. People who have other

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assets might have some problems. In our investment portfolios, we still have long treasury bonds. We sold -- as I've said to you quite a bit in the past, we still have about, on a cost basis, book value basis, about $1.3 billion of long treasury bonds. And as of end of June, their value was about $1.6 billion. And the long treasuries I think were about 2.75% or about 2.5% here. And we still hold them. But of course, we can send them -- or we can sell them at any time. So that's where we stand. The Brit investments, of course, will be -- will -- that $1.9 million, I mentioned to you in terms of that portfolio at the end of March, there will be adjustments to it. And finally, we'll disclose the final investment portfolio as and when it closes. But those are the reasons, Wayne, and thank you for your question.

Operator

I'm showing no other questions at this time. [Operator Instructions] I'm showing no other questions at this time.

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

Terrific. Carol, thank you very much. And if there are no more questions, thank you, all, for joining us on this call. We look forward to presenting to you again after next quarter. Thank you.

Operator

Excuse me, we did have a question pop up. Would you like to take them at this time?

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

Yes. Is there a question there?

Operator

[Operator Instructions]

Robert Roell

It's Robert Roell with Surveyor Capital. Prem, you've been positioned very defensively for some time, rightly so. I'm just wondering, what would make you more positive? What would cause you to be concerned about inflation as opposed to deflation? What would cause you to be more positive? What are you looking at? What are you looking for?

V. Prem Watsa
Founder, Chairman and Chief Executive Officer

Well, we -- Robert, it's difficult to say. We continue to monitor it on a daily basis. But if we see -- in 2008, 2009, just the fact that spreads widened significantly, and the stock markets dropped from the high, maybe 50%, well, that's a change in conditions. And we became very positive. If there was something happening that suggested that the economic recovery would be more sustainable, well, we feel a lot more positive. Right now, we don't see that, and we see a lack of ammunition among governments, among monetary authorities. Interest rates are very low, negative interest rates in many countries for 2 years and 3 years. So in that environment, we just think we should be conservative. I'll remind you that we said that this -- and this is an opinion, it's not a fact. But we think that what we're going through is not like what we've gone through in the last 50 years, not a recession like we've experienced. This is our view. And we think that's more comparable to the 1930s and to what Japan has experienced in the last 20 years. So that's our framework for analyzing what's happening right now. And we think -- I think -- we think you have to be cautious and worry about what could happen in the next few years.

Operator

I'm showing no other questions at this time, sir.

V. Prem Watsa

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Founder, Chairman and Chief Executive Officer

Well, thank you, Carol.

Operator
This does conclude our conference for today. All participants may disconnect at this time. Thank you.

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