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Market Intelligence

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Earnings Call

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Call Participants

EXECUTIVES

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Jennifer J. S. Allen
VP & CFO

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President & COO

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Presentation

Operator

Good morning, and welcome to Fairfax's 2024 First Quarter Results Conference Call. [Operator Instructions] And today's conference is being recorded. [Operator Instructions]

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

Good morning, and welcome to our call to discuss Fairfax's 2024 first 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 laws.

I'll now turn the call over to our President and COO, Peter Clarke.

Peter S. Clarke
President & COO

Thank you, Derek. Good morning, everyone, and welcome to Fairfax's 2024 first 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 Jen Allen, our Chief Financial Officer, to provide some additional financial details.

We had a strong start to 2024 with net earnings of $777 million in the first quarter of 2024, and strong operating income from our insurance and reinsurance operations adjusted to an undiscounted basis and before risk margin of $977 million. This is up from $843 million in the first quarter of 2023. Driving this result was underwriting income from our property and casualty insurance and reinsurance companies, up $373 million in the quarter, with a combined ratio of 93.6%. I will speak more on the underwriting results later.

Consolidated interest and dividend income was $590 million in the quarter, up from $382 million in the first quarter of 2023, benefiting from increased and increased investment portfolio, now approximately $65 billion, and actions taken last year locking in higher rates on our fixed income portfolio. As we said at our Annual Meeting, we can see this base of interest and dividend income for the next 3 to 4 years.

Consolidated share of profits of associates in the first quarter was $128 million. This is down from $334 million in the first quarter of 2023, primarily relating to associated income of Gulf Insurance, which is now consolidated in IIFL Finance, which is now mark-to-market accounting, and other one-off items.

The 2 most significant associate investments, Eurobank and Poseidon continue to perform very well and make up a significant amount of our associate earnings.

Our consolidated investment return for the first quarter was 1%. Investment income was driven by interest and dividend income, as I said, up $590 million, our share of profits of associates of $128 million, offset by $59 million of net losses on investments. The net losses on investments of $59 million comprised mark-to-market losses on bonds of $319 million due to increasing interest rates, offset by mark-to-market gains on common stocks of $275 million.

We have said many times in the past, net gains or losses on investments only make sense over the long term and will fluctuate quarter-to-quarter, and for that matter, many times year-to-year. Also mentioned in previous quarters, our book value per share of 945 does not include unrealized gains or losses in our associate investments and our consolidated investments, which are not mark-to-market. At the end of the first quarter, the fair value of these securities is in excess of carrying value by $1.2 billion, an unrealized gain position, or approximately $52 per share on a pretax basis.

Under IFRS 17, our net earnings are affected by the discounting of our insurance liabilities and via application of a risk adjustment. In the first quarter of 2024, our net earnings benefited by $273 million pretax from the effects of discounting losses occurring in the year, changes in the risk margin, the unwinding of discount from previous years, and changes in the discount rate on prior year insurance liabilities. As interest rates move up and down, we will see positive or negative effects on net earnings from discounting.

The gain in the first quarter of 2024 on discounting includes a gain of $192 million from the effect of changes in the interest rates, benefiting from increasing rates. This partially offsets the mark-to-market losses on our bond portfolio of $319 million.

Our book value per share at March 31, 2024, was $945, compared to $940 per share at December 31, 2023, an increase of 2.3% adjusted for the $15 dividend paid in the first quarter.

As we said for the last number of quarters, the most important point we can make for you is to repeat what has been said in the past. For the first time in our 38-year history, we can say to you we expect, of course, no guarantees, sustainable operating income of $4 billion, operating income consisting of $2 billion plus from our interest and dividend income, $1.25 billion plus from underwriting profit with normalized cat losses, and $750 million from associates and noninsurance companies. Fluctuations in stock and bond prices will be on top of that, and this only really matters over the long term.

Yesterday, we were very excited to announce some leadership changes that further builds on Odyssey Group's succession plans that were first put in place in February 2023. Carl Overy who is currently the CEO of Odyssey Reinsurance Company, will succeed Brian Young as CEO of Odyssey Group effective January 1, 2025. Carl will be responsible for Odyssey Group's global operations overseeing its 3 franchises: OdysseyRe, Hudson Insurance and Newline Group. Carl has been with the Odyssey Group for over 20 years, most recently as CEO of Odyssey Re and, prior to that, 15 years as CEO of Odyssey Group's London Market division. Carl has had an outstanding track record.

With this appointment, Brian Young, beginning January 1, 2025, will join Fairfax on a full-time basis as President of Fairfax Insurance Group and work alongside Andy Bernard, who will assume the role of Chairman. We are very happy with this seamless internal succession within Odyssey Group and having Brian with his extensive knowledge and experience of the insurance industry join Fairfax.

Moving on to our insurance and reinsurance operations results. Our insurance and reinsurance businesses wrote $8 billion of gross premium in the first quarter of 2024, up 12.8% versus the first quarter of 2023. The growth was driven by the consolidation of Gulf Insurance, which was consolidated into our results for the first time this quarter. Excluding Gulf's premium of $649 million, gross premium was up approximately 3.6%.

Our North American Insurance segment increased gross premiums by $152 million in the quarter, or 7.9%. Crum & Forster had double-digit growth at 12%, driven by its accident and health business, surplus and specialty lines, and Seneca Insurance. Northbridge was up 4% in Canadian dollars, reflecting excellent customer retention, rate increases, offset by a decrease in new business.

Zenith's gross premiums were down 2.6% in the first quarter of 2024 compared to the first quarter of 2023 due to the continued competitive workers' compensation market.

Our global insurer and reinsurer segment increased modestly with gross premiums written of $4.3 billion in the quarter, up 1.4% versus the first quarter of 2023. Allied World was up 6.4% in the quarter, led by its reinsurance segment which had double-digit growth, while its insurance segment was up approximately 3%. Brit's premium was up 2% to $913 million in the quarter, with growth in its direct book, primarily property, largely offset by contractions in reinsurance and discontinued lines, while Ki continued to grow and was up approximately 5%.

Odyssey's gross premiums written were down 5.2% with its insurance business up 4.8%, principally at Hudson and in their London Market division, offset by a decrease in the reinsurance business which was down 10.7%. The reinsurance business was impacted by the previously disclosed nonrenewal of a large quota share in the fourth quarter of 2023. Excluding the quota share contract, Odyssey's reinsurance business was up 3% in the first quarter of 2024.

Our international operations gross premium was up significantly in the first quarter of 2024 versus the first quarter of 2023, with gross written premium of $1.6 billion, up 78% or $694 million. The growth was primarily the result of the consolidation of Gulf Insurance that added $649 million of gross premium in our international operations. Excluding Gulf, our international operations gross premiums were up 5%. Growth was strong at Colonnade Insurance, Polish Re, Eurolife, and our Ukrainian operations, offset by Fairfax Asia.

With the closing in the fourth quarter of 2023 of our acquisition of an additional 46% interest in Gulf Insurance and an additional 7% in April 2024, approximately 20% of our consolidated gross premium is now coming from our international operations. With the addition of Gulf Insurance, our consolidated results, it provides further diversification and scale within our insurance and reinsurance operations.

As we said in the past, the long-term prospects of our international operations are excellent and will be a significant source of growth over time, driven by excellent management teams, underpenetrated insurance markets and strong local economies.

Our combined ratio was 93.6% in the first quarter of 2024, producing an underwriting profit of $373 million. The combined ratio included catastrophe losses of $101 million, adding 1.7% combined ratio points, primarily from attritional catastrophe losses. This compares to a combined ratio of 94% and catastrophe losses of 3.7 points in the first quarter of 2023.

Our global insurers and reinsurers posted a combined ratio of 91.6% in the first quarter. Brit had a great start to the year with a combined ratio of 89.7% and $75 million of underwriting profit, reflecting the positive underwriting actions taken in the last number of years. Allied World produced the largest underwriting income in the group at $100 million and a combined ratio of 91.5%, with strong results in both its Global Insurance segment and Reinsurance segments.

Odyssey Group produced a combined ratio of 92.8%, including an 87.3% combined ratio in its reinsurance business. Our North American insurers had a combined ratio of 94.7% in the first quarter of 2024 and an underwriting profit of $90 million, led by Northbridge with another strong quarter at a 91% combined ratio. Crum & Forster had a combined ratio of 95.9%, while Zenith had a combined ratio of 99.1 with the benefit of favorable reserve development.

Our international operations delivered a combined ratio of 98.5% in the first quarter. Fairfax Asia had another good quarter with a combined ratio of 93.8%. And our Latin American operations came in at 94.2%, with our Central and Eastern European operations producing a solid 94.8%.

Gulf Insurance had an elevated combined ratio in the quarter of 103.4% compared to the past, that reflected seasonality in its medical book and losses in Turkey and purchase price adjustments on the acquisition. We expect over the course of the year Gulf will continue to boast combined ratios similar to previous years.

On a consolidated basis, our international operations produced underwriting profit of $14 million, or $27 million excluding Gulf Insurance. 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 an interim report, the discounted combined ratio. For the first quarter, the discounted combined ratio was 82.9%, compared to the undiscounted combined ratio of 93.6%.

For the quarter, our insurance and reinsurance companies prior year development was relatively flat with reserve development of $30 million -- with favorable reserve development of $30 million or a benefit of half a combined ratio point. This is the same as the first quarter of 2023, with a slightly higher benefit on the combined ratio, up 0.6 combined ratio points due to lower premium volume. Typically, there is not a lot of movement on reserves in the first quarter as full actuarial reserves reserve reviews are done in the fourth quarter of the year. Our reserves remain strong.

Through our decentralized operations, our insurance and reinsurance companies continue to thrive, consistently producing solid underwriting profit and led by exceptional management team. Our companies are positioned very well to continue capitalizing on their opportunities in their respective markets in 2024.

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. Good morning. I'll give a rundown of the investment portfolio at the end of the quarter. It stands at around USD 65 billion, including $9.3 billion cash and short-term treasuries, the fixed income portfolio is $46 billion, and the rest of the $19 billion is in equities in the form of associated investments, limited partnerships, preferred and common stocks.

The fixed income portfolio is built for safety. Government bonds make up the vast majority, with some smaller investments in short-term investment-grade corporates and first mortgages. Including cash and short-term treasuries, the duration on the fixed income portfolio was 2.8 years, and the yield is 5%.

The mortgage book stands at $4.8 billion. All our first mortgages and the duration is under 2 years. These mortgages provide us with excellent income, yielding over 8.25%, and they're monitored closely by us and by Kennedy Wilson, our long-term partners in real estate.

Prem, Brian Bradstreet, Lawrence Chin and I and the rest of the HWIC team continue to watch inflation data very closely. We think it will be difficult for the Fed to drop rates if inflation stays above 3%. We might be in a higher rate environment for longer than many expect. And our view is the higher interest costs will likely take a bite out of growth as they pass through the system. The point is, it's unsure whether rates are going to settle up higher or lower, but our portfolios are well structured to handle it either way. And as I said, we are watching it very closely.

As for the $19 billion in equity and equity-like investments, the associate investments make up the bulk. These are the companies where we have a strategic or significant stake, investments like Poseidon and Eurobank. They are on the whole doing well, and, we believe, cheap against carrying value.

Of the key investments, only 2 had negative net income in 2023. One is Farmers Edge, which we've written to 0, and the other is Grivalia Hospitality. Our CEO there, George Chryssikos estimates that, once it's fully matured, the one and only resort in Athens alone is perhaps worth more than the entire carrying value for value hospitality on our books.

I would also add 2 things. One, front-end losses is the nature of high-end resort development. So these early year losses are to be expected. And two, Grivalia is tracking to plan. With George in charge and given the outstanding set of assets that we have, we are confident about a good outcome here.

Common stocks make up a small percentage of the equity portfolio at less than $5 billion, not including LP investments. North American stock markets are high. And as you'd expect, we aren't seeing a ton of opportunities here.

So to summarize, the portfolio is built to be safe first. We manage the investments the way Prem, Peter, Andy, Brian and all of our presidents manage their insurance businesses, protecting our downside, being opportunistic and not too concerned or focused on quarter-by-quarter fluctuations.

For now, we've locked in good interest income, taken very little credit risk, and we haven't extended duration too far given worries about inflation. And in the main, our equity investments are cheap, soundly financed and doing well.

I'll now turn it over to Jen Allen.

Jennifer J. S. Allen

VP & CFO

Thank you, Wade. I'll begin my comments on the net benefit IFRS 17 had within our consolidated statement of earnings in the first quarter of 2024. In the first quarter of 2024, net earnings of $777 million included a pretax net benefit of $273 million related to IFRS 17.

This pretax benefit was reported within 2 financial statement lines in our consolidated statement of earnings. First, included with insurance service result line was the benefit from discounting losses and ceded losses on claims, net and changes in risk adjustment and other of $439 million, which was partially offset by the second component that we present in a separate line in the financial statement. Net finance expense from insurance and reinsurance contracts of $166 million in the quarter, which was comprised of interest accretion or an expense of $358 million, reflecting the unwinding of the effects from discounting associated with net claims paid made during the period, which was partially offset by the benefit of the effective increased discount rates during the period on prior year net losses on claims of $192 million.

As Peter noted, the benefit of the effective increases in discount rates on prior year net losses on claims of $192 million partially offset our net losses recorded on the company's bond portfolio of $319 million in the period. This compared to a pretax net benefit in the first quarter of 2023 of $310 million that was comprised of the same components I just commented on for 2024.

Namely, it included the insurance service result line with the benefit from discounting of losses and ceded loss on claims net of changes in the risk adjustment of $474 million, which was partially offset by the net finance expense from insurance and reinsurance contracts of $163 million that reflected interest accretion or an expense of $331 million in the quarter related to the unwinding of the effects from discounting, and it was partially offset by a benefit from an increase in discount rates in the respective periods of $168 million.

A few comments on our noninsurance company results in the quarter. Our noninsurance company reported operating income in the first quarter of 2024 of $17 million, compared to an operating loss of just under $1 million in the first quarter of 2023. Excluding the impact of Fairfax India's performance fee to Fairfax and accrual of nil and a reversal of an accrual of $14.5 million in the first quarters of 2024 and '23, respectively, and the impact of a noncash goodwill impairment charge on our noninsurance companies recorded during the first quarter of 2023, the operating income of our noninsurance company increased to $17.3 million in the first quarter of '24, up from $8.5 million in the first quarter of 2023.

The increase primarily reflected lower operating expenses in our other segment and increased operating income at AGT. This was partially offset by lower operating income at Fairfax India primarily related to its share of profit in associates.

Turning to our consolidated share of profit of associates of $127 million in the first quarter of 2024. It principally reflected a share of profit of $79.3 million from Eurobank, $36 million from EXCO, $35 million from Poseidon, which was partially offset by a share of loss of $29 million from Helios Fairfax Partners, and no share of profit from Gulf Insurance in the first quarter of '24 as Gulf Insurance as of December 26, 2023, is now consolidated into our results, where the first quarter of '23 included a share of profit of $29 million from Gulf Insurance.

A note on the share of profit of $79.3 million from Eurobank, this also included approximately $45 million of recycling or reclassification of foreign currency losses from other comprehensive income to the statement of earnings as a result of their sale of a subsidiary. These foreign currency losses had no impact on our carrying value of our investment in Eurobank, and share of profit from Eurobank in the first quarter of 2024 adjusted for this reclassification was $124 million, up $30 million from the first quarter of 2023.

We had one key transaction closed subsequent to March 31, '24, where the company completed a mandatory tender offer for the noncontrolling interest in Gulf Insurance that increased our equity interest from 90% to 97.1% for cash consideration of $127 million.

I'll close with a few comments on our financial condition. During the first quarter of 2024, we completed 4 debt transactions. On January 12, '24, we completed the reopening of our $400 million principal amount of 6% notes that were due in 2033 for an additional $200 million principal. Then on January 29, 2024, we used a portion of the net proceeds from those 2033 offerings to redeem our $279 million principal amount of 4.875% notes that were due in 2024.

And then on March 15, 2024, we issued the -- we used the remainder of the net proceeds from the 2033 offering to redeem our CAD 349 million principal amount of our 4.95% notes that were due in 2025.

And lastly, on March 22, 2024, we completed an offering for $1 billion principal amount of 6.35% unsecured notes that are due in 2054, a 30-year issuance. The result of those offerings is reflected in our liquidity position of the company.

At March 31, 2024, our cash and investments at the holding company was $2.5 billion, an increase from December 31, 2023, of $1.8 billion, principally reflecting our recent $1 billion 30-year debt issuance.

Additional significant transactions in the first quarter of '24 included dividends received from our insurance and reinsurance companies of $451 million, receipt of Fairfax India's performance fee of $110 million. And it was partially offset by net distributions for our payments made on our common and preferred share dividends of $376 million, purchases for cancellation of 240,700 subordinate voting shares at a cost of $260 million, and a capital contribution to our insurance operations of $140 million.

The holding company also has access to our fully undrawn $2 billion unsecured revolving credit facility. We also own investments in associates and consolidated noninsurance companies of $1.7 billion that's not included within our holding company cash and investments balance. And we now have no long-term debt maturities until April 2026.

At March 31, 2024, the excess of our fair value over carrying value of the investments in our noninsurance associates, and market traded consolidated noninsurance subsidiaries, was $1.2 billion, compared to the $1 billion at December 31, 2023. As Peter noted, the pretax excess of $1.2 billion is not reflected in our book value per share, but is regularly reviewed by management as an indicator of the investment performance.

The company's total debt to total cap ratio, excluding our noninsurance companies, increased to 24.4% at March 31, 2024, compared to 23.1% at December 31, 2023. And it principally reflected the issuance of our senior notes due in 2054.

Book value per basic share of $945.44 at March 31, '24 compared to $939.65 at December 31, '23, representing an increase in per basic share in the first quarter of '24 of 2.3% adjusted to include the $15 per common share dividend that we paid in the first quarter of 2024.

And lastly, our common shareholders' equity modestly decreased by $29.5 million to [just under $21.6 billion -- just] over $21.6 billion at December 31, 2023. This primarily reflected the payments of our common [and preferred] dividends of $376 million, our purchases of 240,7000 subordinate voting shares for cancellation, for a cash consideration of $260 million or USD 1,081 per share, and other comprehensive income loss of $149 million related to unrealized foreign currency losses net of hedges. And of course, this was partially offset by our strong net earnings in the quarter of $777 million.

That concludes my remarks for the first quarter of 2024, and I'll now turn the call back over to Peter.

Peter S. Clarke
President & COO

Thank you, Jen. And before we go on to questions, I would just like to pass it to Prem to make one quick comment.

V. Prem Watsa
Founder, Chairman & CEO

Thank you very much, Peter. I really am heartbroken to let you know that I heard from Rick Salsberg's daughter yesterday morning that he had passed away in his sleep. Rick was our partner, trusted friend and consigliere for almost 4 decades. He loved Fairfax, and we would not be here without him. And everybody loved Ricky, all of us at Fairfax, his family, friends, neighbors, and just about anyone he met on the subway. Fairfax will never be the same.

In honor of Ricky and in remembrance of him, Fairfax will close its head office on Monday, May 6. Please keep his wife Lynne, his daughter Lee, his son Aaron and all the family in your prayers, and God bless Ricky's family. I just wanted to end by thanking the good lord for giving us Ricky for almost 4 decades and taking him away to heaven when we were at our strongest position.

I will now pass it on to Peter for the Q&A. Peter?

Peter S. Clarke
President & COO
Thank you, Prem. We are now happy to take any questions you might have.

Question and Answer

Operator

[Operator Instructions] One moment please for the first question, and that will be from Tom MacKinnon with BMO Capital.

Tom MacKinnon
BMO Capital Markets Equity Research

This question for Wade or Peter. Just with respect to the total return swaps you have on your own shares. Can you talk about why you continue to hold them the duration of them? Are they kind of settled in cash quarterly? What's involved in perhaps not renewing them?

And as a follow-on, if you can tie that -- you're still buying back stock as well. So you have 2 approaches here. Maybe the strategy with respect to using those 2 approaches and how you continue -- will you continue to buy back your stock? You seem to have accelerated that a little bit as well. So a bit of a mouthful there, but hopefully, we can take that on.

Peter S. Clarke
President & COO

Thanks, Tom. This is Peter here. Yes, we continue to hold our TRS position on Fairfax. We think it's a great investment position to have. The contracts, there's an expiry period at the end of 2025 and 2026. They can always be extended anytime. So just with the fundamentals of Fairfax, we continue to think it's a really good investment and we will hold on to that.

Essentially, the -- on -- the mechanics behind them are different with different credit parties, but they reset -- approximately half of them reset on a quarterly basis.

And again, on our share buybacks, we like Fairfax, and we think the share price is at a fair value. But we always balance that with our financial strength and our financial rating. So we'll continue to monitor that on an ongoing basis.

Operator

Our next question is from Scott Heleniak with RBC Capital Markets. Mr. Heleniak, your line is open.

Scott Gregory Heleniak
RBC Capital Markets, Research Division

Hello. Can you hear me?

Operator

Yes, sir. Please go ahead.

Scott Gregory Heleniak
RBC Capital Markets, Research Division

Okay. Yes, I was just wondering if you -- how are you thinking about premium growth across the different units? It seems like it's still a pretty attractive environment, and rates are up from what I hear. It looks like you're scaling back maybe in a few areas, Odyssey Re or maybe property a little bit. But just wondering if you can just talk about how you're thinking about growth, where you're seeing the opportunities, and just kind of generally comment on the rate environment and whether anything's changed really across your businesses?

Peter S. Clarke
President & COO

No, sure, Scott. Over the last the 2019 to 2023 period, the market was extremely hard, and we took advantage of that. And we grew almost by 15% annually over that time period. Now rates have come off somewhat more in certain lines of business, in particular on the cyber book and on the D&O where we're seeing rate decreases, including workers' comp. And on those other lines, pricing can be down in excess of 10%.

But on many of the other lines, we're still seeing strong pricing. We're seeing our pricing in excess of our loss costs. And there's many opportunities to continue to grow the book. Excluding Gulf, which inflated our premium number in the quarter, we grew on a gross basis about 5%, and on a net -- and net probably closer to 7%, especially when you exclude a one-off transaction at Odyssey that we mentioned in the fourth quarter last year, that was a large quarter share that they didn't renew.

So our companies still see opportunities and looking to take forward -- take advantage of that. And just with our scale and diversification, both by product and by geography, we have a lot of ability to still continue to grow.

Operator

From Daniel Baldini with Oberon.

Daniel Baldini
Oberon Asset Management, LLC

[indiscernible] to the previous one. Now I'll preface it by saying that I don't follow a lot of insurance companies. But my impression is that the reinsurance market, I guess, globally, remains pretty strong. And I noted [Arch's] results the other day, they have a big reinsurance operation, and they had net premiums written up 31% with a 77% combined ratio. So I realize there was something unusual a year ago at Odyssey, but the net premiums written are down 2.7%. So I'm just curious what Odyssey's opinion is about the reinsurance market.

Peter S. Clarke
President & COO

Yes. The reinsurance market, it still continues to be strong. Not as strong as it was in 2023. But I think what you have to look at a lot is mix of business and -- mix of business, and then Odyssey took advantage of the market 2019, 2022, as I said before, and grew a lot. So they're starting at a higher base than many others.

And so I think our reinsurance, we have reinsurance at Allied World, at Brit, and Odyssey is our largest writer. But they continue to see opportunities. And excluding that one quota share, they'll continue to grow.

Operator

Andrew Goffe with Goffe Holdings.

Andrew Goffe

I just had a question regarding the free cash from the insurance subs. I mean, as the interest income has gone up a lot, are you now in a position where you can dividend more up to the corporate level? And like if so, how much could you dividend up?

Peter S. Clarke
President & COO

No, that's right. And in the past, again, as the companies were growing, a lot of the earnings from the subsidiaries were used to fund that growth and the capital within the companies. With the premium leveling off, it is producing additional dividend capacity. And that gives us a lot of options to bring the cash up to the holding company.

We usually look at that on a quarterly basis. We're happy to keep the capital in the company, invest it or bring it up to the holding company. But you're exactly right, with the premium volume coming down and the strong and stable earnings we see going forward, it is providing additional dividend capacity to the holding company.

Andrew Goffe

Do you have any -- can you give us a sense of like how much over the next couple of years you might dividend up to the corporate level?

Peter S. Clarke
President & COO

Jen, do you have anything to add on that? .

Jennifer J. S. Allen
VP & CFO

Yes. Sure, Andrew. Maybe I'm going to reference you to our annual report in our Statutory Note #19. So in 2024, we have the ability to get $3 billion out of the underlying insurance companies based off of the statutory requirement level. We gave quite a bit of detail in there which company we can get those dividends from between our North American global and international segment.

And in the first quarter of 2024, as I noted in the conference call script, we did receive $451 million of dividends from our subsidiaries in the first quarter already.

Operator

Tom MacKinnon with BMO Capital.

Tom MacKinnon
BMO Capital Markets Equity Research

Question just with respect to the overall expense ratio, trended a little higher this quarter. I think we were kind of running around 30-ish range and now we're 31%, almost 31.5%. I think there was some additional spend to be able to handle some uptick in volumes, but I assume there's got to be some scale benefits as well. So how should we be thinking about the expense ratio going forward as -- yes.

Peter S. Clarke
President & COO

Great, Tom. And yes, we were up about 1 point or a little more 1 point on the expense ratio. One thing that influenced that ratio was the inclusion of Gulf Insurance, it had a higher expense ratio than our operations, runs at a little lower loss ratio, a higher expense ratio. And then on the commission side, it really just is mix of business.

So I think that and, as we said, we continue to invest in technology and in our people. And you can see a little bit of uptick from that as well.

Operator

That will be from Howard Flinker with Flinker and Company.

Howard Flinker
Flinker & Co

In that net gain of 7% -- a gain of 7% in net premiums, does that include the increment from Gulf? Or if we adjusted, should we roughly cut it in half?

Peter S. Clarke
President & COO

Yes. That's -- Howard, that excludes Gulf...

Howard Flinker
Flinker & Co

Excludes Gulf.

Peter S. Clarke
President & COO

If you include Gulf Insurance.

Howard Flinker
Flinker & Co

Say that again, please?

Peter S. Clarke
President & COO

That excludes -- the 7% would exclude the Gulf premium. If you include the Gulf premium, we were in double digits.

Operator

That is from [Asif Lalani] with [indiscernible] Capital.

Unknown Analyst

My question is with respect to -- there is a dislocation in equity markets, so you have an opportunity to reallocate some fixed income to equities. What kind of size is available that the company would be comfortable with?

Peter S. Clarke
President & COO

Sorry, can you repeat your question?

Unknown Analyst

Sorry, I'm out at an airport -- hope it got too loud. So my question was, we're sitting on a large amount of fixed income security and seemingly some surplus capital. So if we did have an opportunity where there was a dislocation in equity markets, how much could we reallocate from the fixed income portfolio to quality equities at a fair price?

Peter S. Clarke
President & COO

Right. Our fixed income portfolio is very liquid. It's essentially our bonds are in our U.S. treasuries, and the average duration is about 3 years. So we have a lot of flexibility there. Investment portfolio as a whole, it's very defensive. We have the ability to react to the market, and we're very happy where it is positioned today. So should something happen on the equity side, we would have the ability to pivot if we wanted to.

Operator

At this time, I have no further questions in queue.

Peter S. Clarke
President & COO

Well, thank you, Fran. And if there are no further questions, thank you for joining us on our first quarter conference call.

Operator

As we are concluded, I'd like to thank everyone for joining today. Please disconnect at this time. Have a wonderful day.