



This Insurance Company Offers Monster Dividends

Description

With a market capitalization of \$9.7 billion and a 52-week stock price range of \$375.16 to \$485.25, Toronto-based **Fairfax Financial Holdings** ([TSX: FFH](#)) is a big player in property and casualty insurance and reinsurance, as well as investment management. Here are five reasons why the company could be a fit for your portfolio.

1. Its vast subsidiary network

Fairfax Financial Holdings has 18 insurance and reinsurance companies. These are spread across North America, South America, Asia, the Middle East, the UK, Barbados, and Poland. Its insurance and reinsurance companies had a record underwriting profit in 2013 of U.S.\$440 million.

The company's wholly owned investment management subsidiary is Hamblin Watsa Investment Counsel, headquartered in Toronto. Hamblin Watsa provides worldwide investment management services exclusively to Fairfax Financial's insurance and reinsurance subsidiaries.

2. Its recent financial results

For Q1 2014, Fairfax Financial announced net earnings of \$784.6 million versus net earnings of \$161.6 million in Q1 2013. This was due to realized and unrealized gains on its investment portfolio, in tandem with improved underwriting results.

Prem Watsa, Fairfax Financial's Chairman and CEO, said: "Our insurance companies have begun the year 2014 with a strong underwriting result with a consolidated combined ratio of 93.0%. All of our major insurance companies had a combined ratio less than 100% with OdysseyRe at 85.6% and Zenith at 90.6%." A ratio *above* 100% means that an insurance company is paying out more money in claims than it is obtaining from premiums.

3. Its investment in SandRidge Energy

SandRidge Energy ([NYSE: SD](#)) is an Oklahoma-based oil and gas company. SandRidge has a market capitalization of \$3.53 billion. The company is one of Fairfax Financial's biggest holdings.

SandRidge's emphasis is on exploration and production. Additionally, the company and its subsidiaries own and operate gas gathering and processing facilities and also conduct marketing operations.

The *Globe and Mail* reported last week that SandRidge has, "... in Fairfax's view, extremely high-quality, yet low-cost, oil and gas resources that will increase in value as natural gas prices eventually revert to the mean."

4. Its recent acquisition

In April, Fairfax Financial announced that it, via its wholly owned subsidiary Fairfax Asia, entered into a share purchase agreement. The company will acquire 80% of Indonesian insurer PT Batavia Mitratama Insurance. On closing, PT Batavia will join the Fairfax Asia group. PT Batavia's specialty is vehicle coverage.

Prem Watsa said, "Batavia has a strong presence in the Indonesian insurance sector and this is a fantastic opportunity for us to expand our operations in the region."

5. Its dividends

Fairfax Financial's current dividend rate is \$10.00 and its current dividend yield is 2.15%. The company's five-year average dividend yield is 2.4%. Fairfax pays out its dividend annually.

Willing to ante up the dollars for this dividend behemoth? If you are, Fairfax Financial Holdings will fatten your portfolio with consistent major payments.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:SD (SandRidge Energy, Inc.)
2. TSX:FFH (Fairfax Financial Holdings Limited)

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