



## TFSA Investors: 1 Large-Cap Obscure Value Stock to Buy

### Description

**Fairfax** ([TSX:FFH](#)) is a holding company engaged in [property and casualty insurance](#) and reinsurance and the associated investment management. The company differentiates itself by combining disciplined underwriting with the investment of assets on a total return basis.

The financial performance of Fairfax, a property and casualty company, is determined by two principal factors. These include the operating results of the [Fairfax's insurance operations](#), which is determined by the level of premiums collected in relation to claims and operating costs, and the returns generated by Fairfax's investment portfolios. Fairfax's insurance and reinsurance companies operate on a decentralized basis, with autonomous management teams applying a focused underwriting strategy to insurance markets.

### Value investment philosophy

The company's subsidiaries provide a full range of property and casualty products, maintaining a diversified portfolio of risks across all classes of business, geographic regions, and types of insureds. Fairfax's investments are centrally managed for all the Fairfax group of companies by Hamblin Watsa Investment Counsel, a wholly-owned subsidiary of Fairfax.

Hamblin Watsa emphasizes a conservative value investment philosophy, and invests assets on a total return basis, which includes realized and unrealized gains over the long term. Since 2011, Fairfax has acquired companies that are in industries other than insurance and reinsurance where the companies meet Fairfax's investment criteria. Such companies are run on a decentralized basis with autonomous management.

### Diverse insurance operations

Fairfax's North American insurance subsidiaries are very valuable. Northbridge Financial, which provides property and casualty insurance products in the Canadian market, is one of the largest commercial property and casualty insurers in Canada based on gross premiums written.

Odyssey Group, which underwrites treaty and facultative reinsurance and specialty insurance, is Fairfax's crown jewel. Crum and Forster, which is a national commercial property and casualty insurance company in the United States, writes a broad range of specialty coverages.

The company's subsidiaries also include the Zenith National, Brit and Allied World. Zenith is engaged in the workers compensation insurance business in the United States. Brit is a market-leading global Lloyd's of London specialty insurer and reinsurer. Allied World provides property, casualty and specialty insurance and reinsurance solutions.

## Exposed to fast-growing emerging economies

The company has significant exposure to fast-growing Asia through Fairfax Asia, which writes property and casualty insurance in niche markets in Hong Kong, and Pacific Insurance, which writes all classes of general insurance and medical insurance in Malaysia. Further, AMAG Insurance, which writes all classes of general insurance in Indonesia, and Fairfirst Insurance, which writes general insurance in Sri Lanka, adds to Fairfax's exposure to Asia.

Fairfax also collects management fees from **Fairfax India Holdings** ([TSX:FIH.U](#)), an investment holding company whose objective is to achieve long term capital appreciation, while preserving capital, by investing in public and private equity securities and debt instruments in India. These include Indian businesses or other businesses with customers, suppliers or business primarily conducted in India.

Hamblin Watsa, founded in 1984 and based in Toronto, has done an admirable job in providing investment management to the insurance, reinsurance and run-off subsidiaries of Fairfax.

### CATEGORY

1. Investing

### POST TAG

1. canada

### TICKERS GLOBAL

1. TSX:FFH (Fairfax Financial Holdings Limited)
2. TSX:FIH.U (FAIRFAX INDIA HOLDINGS CORPORATION USD)

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