Bank of America Merrill Lynch Insurance Conference

Company Participants

- Francois Morin, EVP, CFO & Treasurer
- Joshua Shanker, Analyst
- Marc Grandisson, CEO & Director

Presentation

Joshua Shanker {BIO 5292022 <GO>}

We're live. Welcome back to the Bank of America U.S. Insurance Conference. If you're joining now, it means you're joining the Arch Capital presentation, Q&A. We're happy to have you. You should -- on your apps, there's the Veracast app. You can send a question to me and I will ask it. So please don't be shy. We would love your questions and just now queuing up. The next session is going to be Hanover. So you can also queue that one up as well. I'm really pleased to welcome Marc Grandisson with a C, by the way which change on our monitor, CEO of Arch Capital Group; and Francois Morin, the CFO. Both of these are joining us from Bermuda. I have lots of questions. Obviously a lots going on in the world. You're not in one business. You're a bunch of businesses. That's kind of where I want to start.

If I think about maybe a year ago, maybe two years, but I don't know when and it's not -- you said multiple times, I believe that the mortgage insurance business was a mid-teens ROE business is something that you've said in the past. In the Third Quarter conference call, you said that right now, among your businesses, the mortgage insurance business is your third best use of capital after insurance and reinsurance. My question is, has the ROE for mortgage insurance come down? And maybe interest rates have done that a little bit. Two, what does that mean for the ROE on the P&C businesses, if more in terms of now the third best use of capital?

Questions And Answers

A - Marc Grandisson {BIO 4369887 <GO>}

Well Josh, nice seeing you. We missed you yesterday on our call, your typical questions. I'm sure we're going to get more of those today which is good, which is a good place to be. It's good to see you.

Yes. On the ROEs, I think that it's true that a mortgage had -- we had changed our expectation of long-term loss ratio and loss rate on the portfolio in the second and Third Quarter. So we were a bit more careful with the long-term expect. I think that what's happened over the last 4 or five months has sort of brought us back into more of a longer trend that is more probably pre-COVID level.

So we've talked about having a 2018 sort of level of profitability. So I would say right now that mortgage actually crept back up again. On the top, if not the top provider of return on capital. I think the other 2 businesses, certainly sort of still in the mix of being really good returns. I think that we are getting better rate increases. I think right now, the 3 lines are competing for a good return. I don't think that on an insurance and reinsurance, we're quite back in the mid-teens quite yet, but I do believe that low teens for both and maybe reinsurance a bit better because of the speed by which it takes advantage of the market opportunities and the ability it has to deploy capital a bit more quickly I think could be partly between the insurance and the reinsurance. But all the 3 of them are giving us double-digit plus returns as we see in the Fourth Quarter and also, as we got into 01/01/2021.

So in a way Josh, it's -- so we're pleased to be for us. It's that creates more opportunities and more opportunities set wider opportunities set for us at Arch, which we were thinking was going to be much more focused on the P&C as we were getting into 2021. It turns out that MI is also really, really favorable right now at this point in time, which is good.

A - Joshua Shanker {BIO 5292022 <GO>}

So I'll add a couple of complexities into the picture. You historically have said, it's not a rule, but it's a spoken sort of guideline that you would be happy to repurchase your own stock at a price below 3-year ahead book value. Right now, I think the stock is trading about 3 quarter ahead book value, if I'm calculating correctly.

A - Marc Grandisson {BIO 4369887 <GO>}

Yes.

A - Joshua Shanker {BIO 5292022 <GO>}

Also, you're going to be buying in a lot for about 81% of book. You also, earlier in the year, made a deals buying 1/3 of Coface. So you have -- obviously those 2 of things are growth, I guess to some extent, and buying back shares isn't growth. Obviously growth is attractive. But if you were buying in shares five years ago at three years ahead book value when the ROEs were, I don't know still probably low double digits. I don't know where you want to sit, where does repurchase, acquisition -- where does that fit into the frame of best use of capital?

A - Francois Morin {BIO 17410715 <GO>}

Let me take that. I'll start by saying, the 1 thing that matters to us, and I think rightly so, is visibility. I think the forward-looking view of capital and book value, yes, there's a baseline on where we think the book value is growing, but what you saw from us in 2020 was really a bit of uncertainty. And rightly so, with COVID and mortgage and housing and even the P&C lines, not knowing -- taking -- having -- it would -- uncertainty around the claim environment and everything that comes with it and then counts on top of that.

So we took a pause in 2020. And -- but as we enter 2021, we knew that our forecast were a bit more solid, a bit more predictable as we look forward. And certainly, you saw us buy back some $80-plus million of shares since the start of the year. So that's -- I think that answers, hopefully, your question that buybacks are in the mix, growth is in the mix. So we'd like to think that we can do both. We can grow. We can find attractive opportunities to deploy the capital. But the fact that the returns are good, and we think will remain good for the foreseeable future that kind of those retained earnings, the way we generate earnings and we can deploy that in the business, gives us the ability to return a bit of excess capital to shareholders and improve our overall kind of numbers?

A - Joshua Shanker {BIO 5292022 <GO>}

I guess the sum of all. They're all -- I mean it's hard to say 1/3 on the other they'll get. We said that maybe low teens for P&C, mid-teens for mortgage but also repurchases very forecastable. So might be a lower returning use, but you know the answer already. I guess Coface, can we just talk a little bit about where that is in terms of an ROI? Has the ROI changed in the past 12 months on that transaction?

A - Marc Grandisson {BIO 4369887 <GO>}

No, it hasn't. I think that we got into this with our eyes open. We had a lot of things that we knew they had in place to protect themselves against the downturn. The government interventions just definitely helped. I mean no doubt about this is the ultimate result that they produced for the year, which was very favorable, very positive, given all the things that are surrounding their environment. We're buying it below book value, right? So from that perspective, they're about a 6% to 7% ROE this year. We're buying a 0.8x book, 0.85x book. So we are sprucing our returns right now. So this is more immediately, it's a really -- it's kind of an accretive transaction from a capital perspective. And also for shareholders of Arch Capital. And certainly, the returns are not as low as would be from the headline perspective.

Now having said this, Coface is really meant to be a strategic investment, right? I think it's one of line in the business that has no sizable or very interesting moat, very much the same way that the MI would have. You need to have the expertise, the pipe, the relationship and the expertise to do this. The relationship with all these clients, like, almost 100,000 clients in 150 countries, very intimate knowledge of all their affairs, right, because their trade credit provider, they do have a really good insight to the credit worthiness and stability of their clients and the buyers that they're at least -- that these clients are facing.

So it is also, to be fair, somewhat of a work in progress, right? We know Xavier JEANNEROD was brought in from GE. We knew this for a fact. He's a really good operator. And already he's on a way to transform that business, make it more data analytics driven, a bit more digital driven. So a lot of improvements are definitely -- we can see on the horizon. So it was -- it's a good story from Coface and having access to and being partner with a business that's diversifying further, right away from most of the airlines of business is something that we want to, being a cycle manager. And certainly, that -- I would expect that over time, we'll rub off a little bit of our own DNA, if you will, on to Coface as it goes. I think Coface is strategically another pond to fish from, right?

As we -- as a cycle manager writ large, if you take a step back Josh, the more you have various pond to fish from the more you're able to flex in and out of different markets as you cycle through different markets, right? Because as we all know, the market cycles are not monolithic. It's not in one hard market getting across the board. So we understand that sometimes trade credit could be hard when workers comp is soft and/or D&O is softer. So for us, it's part of the -- within the insurance industry framework, having been exposed. So this have been underwriting this business for 26 years, we understand it very, very well at Arch.

We know there's really long-term value in this if we apply a bit more rubbing DNA of Arch on towards Coface, I think the returns are going to be there. Then -- I mean but the expectation of return for Coface, for all the shareholders out there, and those who are thinking about us, we're still -- it's still in the teens, and we're going to hold up all these investments at the same level of return on threshold and target. The only thing with Coface is it's more of a work in progress, it's going to take a little while to get there, but we're in for the long haul, right, an investment for the future, and we're very excited about it actually. So --

A - Joshua Shanker {BIO 5292022 <GO>}

Okay. Now let's move to mortgage a little bit. Obviously it's a hot topic. One of my personal hobby is horses. So in the Third Quarter, you guys experienced a net favorable cures about 5,000 homes. In the Fourth Quarter, the cured delinquency trend was also net favorable by 6,000 homes. You took up reserves about $140 million in the Third Quarter, $80 million in the Fourth Quarter. The homes have been appreciating through the pandemic. I'm thinking that if delinquencies are curing, we should start seeing favorable developments. I'm not seeing, in fact and seeing that your lessons are. You know what, for the remaining delinquencies and forbearances we have, we need to be putting up more reserves. Can you square the circle and tell me where my math is wrong?

A - Francois Morin {BIO 17410715 <GO>}

Your math is not wrong, Josh. I mean that's -- but it's only math. I mean I think the -- what we superimpose on top of math is a bit of judgment. I think the reality is yes, it's a great story that we're seeing all these cures, that were -- the inventory of delinquencies is coming down at a good clip, where the delinquency rate went down 50 bps in the quarter, and that's good. Trends suggesting that we should see more favorable reductions in the delinquency rate in 2021, for sure.

What we don't know yet is the remaining delinquencies, how they're going to behave. That's where -- yes, we have historical data to tell us how delinquency that's 12 months old or 12 months delinquent or two years illiquid, how -- so many mis payments. There's data to help us guide us, but this is a different environment. We -- consistent with the way we think we'd rather be a bit conservative, be more prudent around how these delinquent people are going to come out of delinquencies. Yes, there's excellent data saying that house prices are strong and if people need to sell their house because they're truly in a situation where the -- there's a claim and they need to -- they need to settle the affairs of the delinquent borrower that things should resolve themselves.

But that said, it will take a bit of time for us to know more. I'd like to think that first half of this year will tell -- give us more data. And maybe later on this year, if things kind of keep progressing in a way that tells us that our reserves are maybe a bit on the high side, we'll adjust at that time. But for now, what we got in front of us is a bit of uncertainty, and we'd rather be a bit prudent at this time.

A - Joshua Shanker {BIO 5292022 <GO>}

And I don't know yesterday did you give investors any information about January numbers?

A - Francois Morin {BIO 17410715 <GO>}

We did not. We did not. Yes, no.

A - Joshua Shanker {BIO 5292022 <GO>}

Did not, okay. Of new notices that you're getting, are these forbearing notices, still we didn't elect to forebear immediately, but six months into the CARES Act, they're electing now or these delinquencies, just by my characterization.

A - Marc Grandisson {BIO 4369887 <GO>}

There are mostly forbearances, still new forbearance coming through, right? It's not delinquencies, has moved a little bit through delinquencies. And again this is what's interesting. I think you hit the heart of the matter, Josh, and Francois alluded to that is that there's a lot to unfold, right, between the time now and the forbearance program, expire. They expire in 3 more months or 6 more months, I'll see what the FHFA provides to the marketplace. We're still -- the problem with the marketplace.

Now having forbearance that we had in the cat -- advanced cat areas, it was the quicker in terms of resolution. I think that the forbearance right now are not necessarily delinquent to the way that you and us would here and would understand historically, but it's still very hard. It's more opaque in terms of information and knowledge, right. Once -- it seems like the market has said, well, it's going to forbearance that's good enough for now. So we don't have as much granular data. The industry does not have as much granular data as we would want to really deep go into this and deeply evaluate. Also, there's a lot of reasons why people go to forbearance, Josh, right? It may not be necessary because they love the jobs. It could be for various reasons, out of -- being more security or a bit more careful or -- and try to see what happens at the end of the forbearance program.

So I think it's too uncertain. While like we've ever seen anything that is also something that we are reminding ourselves every day that we've never been through that kind of event. So we're trying to take a lot more conservative approach to the -- what would be a traditional forbearance program impact, say on the cat losses that we saw historically. I think it’s appropriate right now, Josh. I think there's a lot of uncertainty still, but we tend to think that we're on the prudent side of things.

A - Joshua Shanker {BIO 5292022 <GO>}

And one last -- I got two quickies. With the FHFA news, yesterday the day before, about extending out forbearance, do you expect there to be any extension of the CARES Act or privately -- from private mortgage insurance to also stand out or too early to say or probably not?

A - Marc Grandisson {BIO 4369887 <GO>}

We believe it would, right. I think that we're sort of following -- this is a really helpful program for all of us, including the PMI, obviously where private MI such as ourselves. Yes. I think we're playing ball, if we will, with the FHFA and the GSEs, right, which is the right thing to do because I think the support -- they're providing a lot of support in helping us and helping the homeowners first in staying in their home.

So that -- and we want to encourage that and be participant in helping them in that fashion. So we've been playing ball with them as we should because they're doing the right thing for us and for their homeowners. So --

A - Joshua Shanker {BIO 5292022 <GO>}

Well here's a related investor question and maybe -- because that's going to be off in the distance, the question is, when forbearance runs out, do you expect a big spike in cures suddenly?

A - Marc Grandisson {BIO 4369887 <GO>}

Well it depends on all the mitigating things that have been put in place, right? One of them is -- I think there's a lot of tools in the toolbox for all these mortgage originator to extend, refinance, so many things they could do to make the loan being more acceptable and favorable and actually digestible by the homeowners provided they went back to work. I would expect this to happen to some extent if the forbearance program play the way they should be playing out, and then we fully expect them to do as does a GSE.

So yes, we should see a fair amount of cures going through if that works the way that's described here, right, which is working the way it should be working. In addition, I think that what is comforting, and you touched upon this, Josh, in your comments, is that the house prices have increased over the last one year, 1.5 years and continue to increase as we speak. There's allowed of pent-up demand in housing. There's only 2 -- about two months' worth of inventory available for people to purchase homes.

And I think you need about 5 or six months to make it like a regular mark this. So we are really in the short end of the supply for the housing. So which means that if somebody were to not be able to get that forbearance -- out of forbearance into the new refinancing in a better situation to be able to cure its default or delinquency or when you bring back to being current, there's always the option of selling the home, right? You could probably sell the whole now at better price even than you could have had -- could have done it last year.

So that also helps in terms of ultimate claims for us. So I think there's a lot of mechanism, mitigation meeting factor as we go towards -- working through those forbearance out into more being current. And even if that were not to happen, we're encouraged that the more the housing price will help mitigate largely whatever cannot be resolved after that. So it's all pretty positive.

A - Joshua Shanker {BIO 5292022 <GO>}

All right. Let's switch -- you want to say anything, or we stop -- or go to insurance. Let's go to insurance. This number hasn't quite been updated to the end of the Fourth Quarter because you report just a day ago, but some base the same, I calculate from inception through 3Q '20, the combined ratio in aggregate for the insurance business was a 99.2. 19 years into the companies.

Obviously it's much better right now. Certainly the Fourth Quarter, you did very well on the insurance combined ratio. Why should we expect over the next 5 to 10 years, the current pricing environment aside, but this is a much better than breakeven underwriting business? What was inhibiting a better underwriting margin the previous 19 years? And what's different for the next five years or 10 years?

A - Marc Grandisson {BIO 4369887 <GO>}

That's a really good question, Josh. I think it was -- it's a combination of things. Market choices, market conditions, ability to deploy capital in the marketplace, maybe making a few choices differently than should have been made with not full information. But I think it was -- what I want to tell you. And this is really the right question is what has changed. I think that there's a lot that has changed over the last 2, three years. And as I said yesterday on the call, I'm very, very pleased -- we're very pleased collectively at the executive level and the Board as to what happened in the insurance group.

I think they've been tremendous in improving the IT, improving the data analytics, improving the processes, the claims, the way they did approach claims and their ability and their willingness to be more urgent in seizing opportunities in hardening areas.

And frankly, the other thing that also really helped us this year, and there's a bit of timing, a bit of good looks, as I would say to you, Josh, that we're able to expand our footprint in London through the Barbican acquisition, which has been a very, very positive place to be. We had a couple of things to fix in London, and we largely fixed them. It's becoming now a huge and a very sizable contributor to what we do on a quarterly basis. To top it all off, and then we have all these good momentum building in the company last two years. I mean you can talk to anybody on the insurance group, and they will tell you that we did a lot of things to really improve the platform and improve the way we look at things and analyze the risk. And now we have a hard market. So really good timing to Josh, to bank on this.

I mean the insurance groups, the way it's structured, the way it thinks right now is different than it did historically. I think I will describe it in no large -- no insignificant part to Nicolas, who is, as you guys know, from -- on the reinsurance side, we've now got a promote to present this year. Nicolas brought a little bit of this reinsurance feel of things and focusing on things for the insurance group. I think it helped them a tremendous amount. So I think we have a really, really solid story on the insurance side. I think that the improvement is real. We can see it culturally as well as financially. We have a video spread around the network yesterday that I was able to watch all the insurance guys talking.

And you can see the enthusiasm and the willingness to flex into this market and understanding that we have all made this all this good investment. To take advantage of them, I think it is real. I think it's a -- I think that -- I'm encouraged. I think that we've done a lot of good work, and I'm excited. I think the insurance group is in a really, really good position.

A - Joshua Shanker {BIO 5292022 <GO>}

If I look at the 2020 loss fix, I mean I have to make some assumptions, but I estimate even when excluding the COVID reserves that paid to incur ratio in the P&C businesses is sub 50% for 2020. Maybe you're going to say that's not the case. That's -- I get about 40% of, has something changed in the tail length of the average type of business that you're writing or is a conservative fix? Am I the right ballpark about how low the two major incurred ratios are, what's going on right now?

A - Francois Morin {BIO 17410715 <GO>}

I mean nothing's changed in a dramatic way. I think certainly, if you're looking at the -- on the year -- policy year basis, I mean the numbers should remain pretty consistent with what you've seen in the past. But if you look at the aggregate of the portfolio, when you're growing, I think some of the numbers that you're quoting are just kind of start -- may be a bit distorted, right? So I think there's a little bit going at when paid to incurred on an aggregate basis in a growth mode, I think should come down, and that's what we're seeing. But in terms of loss picks, we're -- yes, there's a lot of good positive signs around terms and conditions improving slightly and rates moving up above greater than loss trends and as we keep reminding everyone, I mean it's got to take a bit of time for those to truly earn in.

And for those reasons, I think we're -- I like to think that it's better to start with maybe loss picks that are -- maybe on the high side and who knows how it plays out, and but at least we don't have to fill up the void or you have to close the gap if it doesn't work or doesn't materialize in the way that we think it can or should.

A - Joshua Shanker {BIO 5292022 <GO>}

Okay. Two questions on compensation, one from me, one from an investor. If you asked me 10 years ago to explain why Arch was successful, I've always pointed to what I would call a bespoke compensation model where everybody's compensation is tied to the long-term performance. But in 2003, Arch had about 1,000 employees or -- no, I should say 600 employees. It was -- now you guys are like 4,500 employees or something to this extent. It's much easier to design a bespoke compensation model in a smaller organization.

As the markets change right now, can Arch continue to apply the lessons of its initial compensation model to a much bigger workforce. Are people going to be tied in for a decade going forward today? And can you make more money working at Arch than working at one of your competitors?

A - Marc Grandisson {BIO 4369887 <GO>}

Okay. So there's a lot of quick questions out there. I think it's the best place to work. I mean I've been here for 20 years. I love this place, so I'm not going anywhere, so neither is Francois. I think in terms of compensation, Josh, the interesting thing in all this is we haven't changed our compensation plan. It's been running for 20 years, and it still continues. This is still what our employees are compensated on, and they understand it.

And I think the only thing that would have been different is possibly in the beginning you had more people making decisions and that we hired earlier on. And probably those people were more likely to be in a compensation on the performance bonus plan, like this traditional 10-year that we talked about, Josh, 4-year payout and based on ROE, with a cap at too and all these beautiful things.

I think just now, I think in terms of percentage, we have -- we have more people on the plan, but less of a percentage because there's a lot less people that we believe are intimately involved in the underwriting, right? We have the infrastructure to -- that we've built over time. So not everybody has to be in that plan, although these individuals who are not necessarily on the underwriting function also have a performance-related bonus paid on a yearly basis. We've established this, and it's been explained to them on a yearly basis as to why they're getting that multiple.

I think the other thing that we would have as well, part of our compensation, Josh, that you won't be surprised, has been a really good retaining mechanism is our stock price, right? Our stock price has done very, very well, maybe not so good over the last year, 1.5 years, but over the last 15, 20 years, it's did extremely well. That's a really, really strong retention mechanism one. When you look at people, say comparing themselves with other people who were doing on a dollar basis. But then when you add -- I mean some of our competitors did not do as well on the stock price. When you start accumulating all the stock and stock options that some of our employees have received, I think that they are in a really good position, much better presuming it would be the warranty into the other industries, other competitors, presumably that would pay more on a cash basis.

So I think the story is twofold, right? We still have underwriting first. It's still on that basis. We buy less amount of percentage of our employees, but still a very large amount of our underwriting team. Most of them are on this performance plan. It's paying as is pays out every year. I just think that in addition to this, we have the stock price, it has been a really, very good story. That really helps solidify wanting to be here. And Josh, one last thing I will tell you that is also being more and more clear to me as I got into this for 20 years I've been here is that, once you've been in Arch and you've worked through a cycle management philosophy of not running the business when it's bad and really focusing on rate. It's really difficult to transfer into some other place.

I mean it's difficult for you to unsee cycle management. I think the true Arches, the true Arch bleeding blue, if you will, find this is a place that's more rationally, more economically rational than other places would be. That sort of helps us to keep those who are really believing in the story. That's really an important part of our story as well as you know. It goes beyond just that short-term bonus payout, it also is interwoven with that increase in stock price because people do believe in that story.

So long story, this is an important discussion that we have all the time. I think it's worked out pretty well over time. And for those that they don't work for, you won't be surprised to say that oftentimes, we don't mind if they go somewhere else because they're probably not all hardly buying into that story. So --

A - Joshua Shanker {BIO 5292022 <GO>}

So along the question on the stock price. I have your question from an investor, who notes that the management comp plan is highly aligned with book value per share growth. But Arch's pivoted into some more cyclical and volatile earnings streams in the investors word over the past, let's call it, half decade, which the market might be viewing as lower multiple businesses. The investors know if that has caused a disalignment between management compensation and investor performance and if management compensation should be more aligned with stock price appreciation than the book value per share growth.

A - Marc Grandisson {BIO 4369887 <GO>}

I mean I'll talk to it and Francois will correct me if I'm wrong, but I don't -- I won't get the numbers exactly right, Josh, but our long-term plan on the stock is, yes, you're right, has variability around the book value growth, which we still believe to this day is what's going to make a difference over time. It could be, as we all hear about, and then in the short-term, it's a boarding machine, the market -- the stock market in the long-term, it's a weighing machine. So we still believe in that principle. That's a core principle of what we're built on is to grow book value, presumably above -- consistently above the cost of capital.

And I think we've achieved that almost without fault. It's about our history. We still believe this is the way to generate shareholder value and sustainable shareholder value. But in addition to this, the executive team, there is a modifier per stock price. So there is a modifier that comes in at the end just to make sure and to echo the question or to follow-on a question that was asked. There is an adjustment that has been made for stock price appreciation, our performance versus the peer group. So it is there. There is something in there to make sure that everything is kept in check. And frankly, I want everybody to understand this, it's very important. The plan is, as such, but the comp committee can decide to change it. It's still under the preview of the compensation committee to make that decision whether it is appropriate in that year to follow what has been filed in terms of -- this is the guidelines on which we are operating.

And I think the comp committee, as you guys know and you guys know us at any length, our Board of Director is really keen on performance, and we're really in tuned into what's happening in the stock price. And also because also our shareholders themselves and also on our performance. So a lot of checks and balances going at Arch. It's not a 1 size fits all. It's not -- everything is made to be within certain guardrails as to what we should expect, but there's always a healthy amount of pragmatism around it and ability to weigh in from the comp committee. So I think everything is pretty much aligned there.

A - Joshua Shanker {BIO 5292022 <GO>}

One question a little bit out there. I guess about 18 months ago, you guys acquired Barbican, I think that's part of the idea was that Arch will become a major player, at least a competitive player in the third-party capital business for you who want to participate in insurance markets. This year, I mean maybe you didn't control the timing, particularly, but you bought in Watford, a third-party business.

Is Arch going to be a major player in the third-party capital market? And what are you doing to affect those changes, especially in a period of time where maybe you want to cook your own eating or eat your own cooking, I should say because pricing is so good.

A - Marc Grandisson {BIO 4369887 <GO>}

Yes. I think that the Watford and whatever else we do at Barbican that we're not -- we don't advertise, but I think our -- if you look at the capital we have under management, it's north of $1 billion when you collect everything all together. So we are still very much in the freight. We just don't talk about it because it's not our style to just talk about it. Then we understand that this is also in building mode. So we actually grew fund asset on the management of the cat side this year.

We were actually on the receiving end in 2020 and 2021, actually, because we want the receiving end of new capital and existing partners who wanted to flex more into their cat market and other kinds of markets. So we are -- and Watford was certainly third-party capital coming into give it to us and say you can manage it in a different way to Watford is give that team up. You guys know we teamed up with two other private equity firm to bring more stability to this.

If anything, I think this sort of solidifies because Watford was a bit left out there in the public domain. I think there's a misunderstanding and misappreciation, frankly, for what that platform could create. So we said, well, let's not lose sight of what it is and what it could create for not only shareholders of Arch, but also for our clients. We were very cognizant of that. So we said let's bring it home and really solidify the capital base and make sure we can still provide good underwriting expertise for that platform, the similar we're doing for the other property cat.

So if anything, I think you're going to see it grow slowly over time as we have over time. We just don't advertise it a whole lot. In third-party capital it's a really, really important piece of what we do. And Barbican was actually a great place for us to grow into London, which was something we were looking to do anyway. So it's been a really good thing. I think more to come for us is what I was saying to everyone.

A - Joshua Shanker {BIO 5292022 <GO>}

Well I have a lot more questions, but unfortunately not a lot more time. So that's the way it rumbles. I appreciate you both and the investors appreciate your time. It's going to be an interesting year. As I said, most of these calls, please do what you can and as we're all limited, try and inoculate your employees as soon as possible. So you guys get back to work in a new normal sort of way. I'll wait in line. We'll see what happens. This is what we all do. But you seem in Bermuda -- I suppose, for you guys, it's a little bit easier than some places.

A - Marc Grandisson {BIO 4369887 <GO>}

Yes. It is.

A - Joshua Shanker {BIO 5292022 <GO>}

So stay safe, regardless. We'll talk soon. Thank you.

A - Marc Grandisson {BIO 4369887 <GO>}

Great. Thank you, Josh.

A - Francois Morin {BIO 17410715 <GO>}

Thanks, everyone.

A - Joshua Shanker {BIO 5292022 <GO>}

Take care. Bye, bye.