Q4 2015 Earnings Call

Company Participants

- Alain Lessard
- Charles Brindamour
- Louis Marcotte
- Mathieu Lamy
- Patrick Barbeau
- Samantha Cheung

Other Participants

- Brian Robert Meredith
- Doug Young
- Geoffrey Kwan
- John Charles Robert Aiken
- Kai Pan
- Mario C. Mendonca
- Meny Grauman
- Paul Holden
- Tom MacKinnon

MANAGEMENT DISCUSSION SECTION

Operator

Good morning. My name is Sharon, and I'll be your conference operator today. At this time, I would like to welcome everyone to the Intact Financial Corp. Fourth Quarter 2015 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question-and-answer session.

Thank you. Ms. Samantha Cheung, Vice President of Investor Relations, you may begin your conference.

Samantha Cheung {BIO 19462616 <GO>}

Thank you, Sharon, and good morning, everyone. Thank you for joining the call today. A link to our live webcast and background information for the call is posted on our website at www.intactfc.com under the Investor Relations tab. As a reminder, the slide presentation contains a disclaimer on forward-looking statements, which also apply to our discussion on this conference call. Joining me today are, Charles Brindamour, CEO; Louis Marcotte, CFO; Patrick Barbeau, SVP of Personal Lines; Alain Lessard, SVP of Commercial Lines; and Mathieu Lamy, SVP of Claims.

We'll begin with our prepared remarks followed by a Q&A session.

With that, I would like to turn the call to Charles to begin his remarks.

Charles Brindamour {BIO 7012323 <GO>}

Well, good morning, everyone and thank you for taking the time to join us today. Earlier this morning, we announced fourth quarter net operating income of $265 million or $1.97 per share, at 7% better than last year's fourth quarter.

While weather was on our side, the strong performance in the quarter is a good reflection of our customer-driven strategy and our result to address performance issues. Not only was growth strong at 7% but our underwriting performance, with a combined ratio of 88.6%, was excellent. Our growing distribution operations also contributed to this quarter performance adding $22 million to our earnings.

Looking at our performance for the full year, we grew our net operating income per share by 13% to $6.38, driven by strong organic growth, better underwriting performance and higher distribution profits.

Our operating ROE of 16.6%, 30 basis points above last year, is a testament to the strength of our franchise. We were pleased with the 5% growth in our book value per share over Q3 and our $625 million in excess capital.

We believe we're entering 2016 on a strong footing. Our performance in 2015 exceeds again our objective of growing our net operating income per share by 10% in average over time. We expect our ROE to outperform the industry again this year by more than 500 basis points, given we outperformed by more than 600 basis points at the end of Q3. We believe the strength of our platform allows us to do well throughout cycles as well as volatile environment.

So, let's look at these results by line of business. During the quarter, personal auto grew 9% driven by a number of customer experience improvements, better competitive dynamics, as well as three points from the integration of CDI.

The combined ratio rose 3.2 points to 96.9% on a less favorable prior year development and slightly higher expenses. Liability inflation in Alberta has perked up in the recent past few years and has impacted our results in the quarter. We have a strong action plan in this province, including price increases around 8%, starting in the coming months, and a continued focus on optimizing our claims strategy. We expect improvements in this segment starting this year.

With regards to the personal auto industry outlook, we anticipate low single-digit growth in the coming 12 months, as mild rate reductions in Ontario will be offset by increases in other regions. Our view on Ontario has not changed. We expect three points to five points net cost reductions to be implemented in 2016 at the industry level.

From our perspective, we proactively recognize the portion of that in our rate actions to-date. We believe rate reductions will be in line with government cost reduction measures and the operating environment will continue to be rational.

The personal property market remains hard, allowing us to grow premiums by 11%, including three points from CDI. With new products on the shelves, including both our Lifestyle Advantage and extended water protection, we are very well-positioned to capture further growth opportunities in this market.

With regards to profitability, our combined ratio of 72.7% during the quarter reflects a strong performance even with benign weather, suggesting that our improvement plan is very effective. Furthermore, on a full-year basis, our combined ratio of 85.9% improved by 3.1 points.

Overall our view on the industry for personal property has not changed and we see continued hard market conditions leading to upper single digit growth over 12 months.

When it comes to commercial P&C, we like what we see. This line of business grew 3% year-over-year, while taking robust actions to improve profitability in some segments and facing headwinds from a slowing Alberta economy. This line of business, again delivered strong results with a combined ratio of 80.1% for the quarter, which is seven points better than last year.

Not only did we see lower cat losses and favorable prior year development, but more importantly, the underlying current year loss ratio improved by 3.2 points. On a full year basis, our combined ratio of 86.8% is in line with our low 90%s target on a sustainable basis. Competitive dynamics should support mid-single-digit growth in the coming year. Commercial auto grew 3% in the quarter, below our run rate this year as we've begun to deploy our profitability improvement measures.

Our combined ratio of 107.9% was primarily impacted by adverse prior year development. As mentioned last quarter, we are implementing robust corrective actions, including rate increases and segmentation as well as loss prevention measures. We're shooting for a sustainable combined ratio in the low 90%s. While the market remains competitive, we believe the market is firmer, which should help the execution of our plan in 2016.

With regards to opportunities, the M&A landscape in Canada and around the world is moving as we expected. We continue to believe 15 points of market share will change hands in Canada in the mid-term. While Canada remains our priority, consolidation is also happening outside our boundaries with potential impacts here in Canada. We'll remain patient and disciplined in this environment, but fully intend to continue to be a leader in consolidation.

Overall 2015 has been a busy and successful year for the company. We were active on the M&A front with the acquisition and integration of CDI, expanding our direct platform from coast-to-coast; we expanded and streamlined our distribution channels; we invested heavily in our brands and in technology, all that while launching new products. Our success, though, is driven by our people, who work day in and day out at improving our customers' experience. They make a big difference and I thank them for their hard work.

Even though we were named one of Canada's top employers in 2015, we're remain focused on creating an environment they can be proud to be associated with. So, in conclusion, we ended the year with strong momentum in both top and bottom-line, while strengthening our financial position. We're in an excellent position to capture opportunities in 2016. So, with that in mind, we also increased our quarterly dividends by 9.4% to $0.58 per share, which is the 11th consecutive increase since our IPO.

We're confident that our strategy will continue to help us outperform the industry's ROE by 500 basis points, every year, and grow net operating income per share by 10% at least per year over time. We believe our platform can deliver superior results both in good and in bad times.

And with that, I'll turn the call over to our CFO, Louis Marcotte.

Louis Marcotte {BIO 18040440 <GO>}

Thanks, Charles, good morning, everyone. This morning, we reported strong operating results as our underwriting income grew 21% from last year. Thanks to a 91.7% combined ratio and higher net earned premiums. Our net operating earnings per share increased 13% year-over-year on the back of improved underwriting and distribution results. Our book value per share was up 6% from last year at $39.83.

Charles already covered most of the underwriting story, but I will add a bit of color on expenses. Overall, for the year, our expense ratio was 0.2 points higher than last year, as lower commissions were offset by higher general expenses, mostly related to growth initiatives. The net impact is marginal for the year, and the Q4 increase is due to timing between quarters, not a general trend. We expect our 2016 expense ratio to be comparable to 2015 with quarterly fluctuations.

We reported investment income of $110 million in the quarter and $424 million for the year, both basically unchanged from last year. We expect a mild erosion of our investment income over the next 12 months as the low yield environment continues to be challenging. Distribution earnings of a $104 million in 2015 exceeded our $100 million expectation. These revenues should grow north of 10% on an organic basis in 2016.

Moving on to non-operating items, our non-operating losses of $99 million for the quarter include common share impairments of $44 million, mainly driven by weakness in the energy and material sectors. Non-operating losses led to earnings per share of $1.46 in Q4 and $5.20 for the year, both lower than last year. Overall, we delivered a solid operating performance with operating earnings per share growing 7% in the quarter and 13% for the year.

A few comments on our financial position. Our balance sheet strengthened significantly in the quarter on the back of strong earnings and a recovery in asset values, resulting in a 5% increase in book value per share to $39.83. At year-end, our investment portfolio had recovered most of its value as the unrealized loss position improved by $119 million from the end of the third quarter to near zero.

During Q4, we refined our impairment approach for preferred shares as they tend to behave more like debt instruments than equity instruments. We therefore determine that the debt impairment model was more appropriate. Under this model, preferred shares are impaired when credit issues arise with the issuers and cash flows may not be realized as expected.

We applied this model prospectively as of Q4 2015 and concluded that no impairments were required at the end of the quarter. Although the value of our portfolio was impacted by the volatility of capital markets and economic uncertainty, it is composed of high quality securities and delivers stable and reliable cash flows. The sensitivity of our balance sheet to equity markets and interest rate is fairly limited, particularly in light of our strong capital position.

Our exposure to energy common share is in line with the TSX, but focused on the higher quality names with an overall exposure of 5% across all asset classes.

Our excess capital rose to $625 million, nearly as high as where we were a year ago before the acquisition of CDI. And our leverage stands at 16.6%, well below our 20% target. Our MCT rose from 195% in Q3 to 203% at year-end, mainly driven by operating results. We are in good position to enter 2016.

Since the beginning of the year, 2016 that is, capital markets have seen further volatility with an estimated impact of five points on our MCT as of yesterday. The recent changes to the MCT guidelines, which better reflect a risk-based capital framework, will further strengthen our capital position in 2016 and mitigate some of the capital market headwinds we are currently facing.

Our capital management framework remains unchanged. We use excess capital to maintain and grow dividends, to invest in organic or inorganic growth opportunities, and ultimately to buy back shares. In 2015, we deployed capital on dividends, on organic growth, on the acquisition of CDI, and we invested some $77 million in distribution assets. Today, we announced the 11th consecutive increase in our dividends on the basis of our confidence and the quality of earnings and our strong financial position.

We firmly believe consolidation in the domestic P&C industry will continue, and we prefer to keep our excess capital to deploy on these opportunities. However, there are times when the market price of our shares may be undervalued and we believe that buying back shares in those circumstances is a responsible use of funds to increase shareholder value.

We think our buyback program adds flexibility to our capital management toolbox if used with discipline. Accordingly, we announced today our intention to reopen a normal course issuer bid for up to 5% of the outstanding float. Again, this decision in no way signals a change in our view of opportunities for market consolidation.

In conclusion, I'm pleased with our strong performance in the quarter on multiple fronts; on growth, operations and capital. We strive to continuously deliver strong returns to shareholders, while being a company that our employees are proud to work for.

With that, I'll return the call to Samantha.

Samantha Cheung {BIO 19462616 <GO>}

Thank you, Louis. Sharon, we are now ready to take questions. In order to give everyone a chance to participate, kindly limit your questions to two per person. And if there is time, you may log-in again after. Thank you.

Q&A

Operator

Your first question comes from Geoff Kwan from RBC Capital Markets. Your line is open.

A - Charles Brindamour {BIO 7012323 <GO>}

Good morning, Geoff.

Q - Geoffrey Kwan {BIO 7413168 <GO>}

Good morning. Just a couple of questions. First off, just the comments you had with respect to the Alberta auto situation. Just wanted to get some color, I guess, in terms of how much of a potential drag or impact that we might see in the upcoming quarters? And how quickly you think you can improve that situation?

A - Charles Brindamour {BIO 7012323 <GO>}

Yeah, I think the – we've talked about Alberta from time to time in the past two years. There has been a number of common law decision that have created a bit of inflation, and in the past few months really strengthened our position there, not only in terms of reserves, but more importantly in terms of action plan. I think action plan being pricing related, underwriting related and claims related.

One of the big things that's happened in Alberta, inside as a result of our claims action plan, is that our folks in the West are changing the way or have changed the way in which they handle claims as a result of inflation and we put also more people on the front line. So I would say that that's in pretty good shape there and I do expect concrete improvements in 2016 as opposed to drag at this point. I think the – my read is the worst is behind, given everything that's in the pipeline.

And now I'll let Patrick to add a bit of color on what we're doing there.

A - Patrick Barbeau {BIO 18476397 <GO>}

Yes, I fully agree. One of the key element we have done in Q4 in light of this emerging trend or this acceleration in the trend was to quickly file for additional rates. So we just got an approval for plus 8% in the personal auto environment, that's being implemented as we speak and to be effective towards the end of Q1.

And there is additional action items on the underwriting side and segmentation coming in very soon in 2016. So, we think that that will offset the trends that we have observed so far.

Q - Geoffrey Kwan {BIO 7413168 <GO>}

Okay. And then last September, you guys announced that partnership with Uber about the ride sharing. And then we saw recently a competitor had come out with the product addressing that part of the market, just wondering if you can kind of clarify what that does in terms of how you guys are looking to capitalize on that part of the market?

A - Charles Brindamour {BIO 7012323 <GO>}

Yeah. The partnership we've announced with Uber is subject to regulatory approval, but the products that we have in mind would cover all customers of Uber from wall to wall. The alternatives that are on the market have to be selected, self-selected by the drivers. And from our perspective, the solution that's in front of regulators at the moment, which of course, is a little bit more complex for regulators because it involves personal and commercial lines, is definitely by far the best solutions for Ontarians. I think the alternatives require the driver to insure first, and the driver has to be insured by one of the few insurers who actually offer that solution. So we think that the better solution is definitely an agreement with Uber to cover customers – all customers through one policy.

Q - Geoffrey Kwan {BIO 7413168 <GO>}

Okay. Great. And then just one final question just on the M&A environment. You talked about things are playing out as you expected. Was just curious at the margin with what's going on in terms of the markets, kind of the macro uncertainty? Is that having an impact kind of either way in terms of what might be happening from an M&A perspective?

A - Charles Brindamour {BIO 7012323 <GO>}

I think those sorts of environment are positive for M&A as far as I'm concerned. I think it can accelerate people reconsidering their use of capital. I don't know how significant that is, but I don't see this as negative. And I think our history on that front has been one where we've capitalized on periods of volatility like the one we're going through at the moment.

Q - Geoffrey Kwan {BIO 7413168 <GO>}

Okay. Great. Thank you.

Operator

Your next question comes from Kai Pan from Morgan Stanley. Your line is open.

Q - Kai Pan {BIO 18669701 <GO>}

Good morning. Thank you.

A - Charles Brindamour {BIO 7012323 <GO>}

Good morning.

Q - Kai Pan {BIO 18669701 <GO>}

The first question on the commercial auto. You made some improvements on underlying current year loss ratio, but still is at loss at more than 100% combined ratio. I just wonder, what more could be done and how soon can we get to a – the target level you're aiming?

A - Charles Brindamour {BIO 7012323 <GO>}

Yeah. I think I'll let Alain talk about the action plan. But let me put things in perspective here. Commercial auto started to have result that were not as good as history last year. And you'll recall that for a couple of quarters, we said, hey, we're seeing large losses, they are happening sort of across the land (21:52) and then in the third quarter we sort of became a little bit fed up with the large losses and told you guys that we actually would rollout an action plan.

I think, our appointed actuary throughout the year also saw a bit of unfavorable development, and I think in the fourth quarter wanted to make sure you wouldn't see those sorts of trends in 2016. I think that's what you have to keep in mind.

I'll let Alain talk about the action plan, which I would qualify as robust that is rolling out as we speak.

A - Alain Lessard {BIO 21962461 <GO>}

Okay. So maybe just to add the color also on the results like we said last year, we tend to look at the results of that line of business because of the size more on a yearly basis than quarterly basis. But even at 99% for the year, this is unsatisfactory, not the level we want to. We know, like Charles mentioned, that during the year there has been some elements, which are not necessarily recurrent. We believe that those elements between adjusting the reserve for certain trends fully separating the IBNR between personal lines and commercial lines, a bit more large losses and some impact coming from the exchange rate in the U.S.

We believe those non-recurring events are probably in the range to 4 points to 6 points, but that still leaves a combined ratio in excess of the 90%, where we want to operate. But we've already started rolling out some corrective measure. The corrective measure I would say are (23:27) three heads. The first on, regarding the rates, basically we started implementing rate increase in the fourth quarter and continue to implement more rate increase starting in the first quarter this year. Those rates are going to be mid-single-digit overall. And they're going to be segmented towards the part of the business or the book that is required more rate increase.

We're introducing also more GLM pricing, more precise algorithm to improve the segmentation. And I think it's important to understand that our commercial lines book is about two-thirds non-price regulated. So there is about two-thirds of the book where we can go very rapidly in implementing rate measures and implementing new GLM, so this is an important. We are starting the implementation of the GLM by the end of the first quarter, and we'll – we think we'll have completed the review by the end of the year for every segment of the portfolio. And on top of that, we've already adjusted our U.S. exposure, U.S. rate or U.S. exposure for trucking to the more recent exchange rate level. That started at the end of the fourth quarter.

So we have strong action coming up on the rates. We also have some action coming up on the underwriting side, where we are basically reviewed our session to risk-sharing pool to be more efficient. We are reviewing our eligibility rule for hazardous (24:51) transportation, driver turnaround and antitheft device. And we're putting more highs on the larger account to make sure we're not leaving anything not understood.

And finally, we're putting more visits on the loss prevention side, we've hired more loss prevention people, we're seeing more account. And we're going to be using my Fleet Solution, which is a way to equip the fleet manager with a better understanding of what's going on at the driver level behavior, to identify pattern and then train more the behavior of the driver there to improve the loss prevention.

So we're quite confident that with this action plan, we're going to be bringing the combined ratio back to 90%. The full earning of the action plan will take about 12 months to get to the full impact of the earning, but we have in our mind everything that is needed to bring it back to the 90% level.

A - Charles Brindamour {BIO 7012323 <GO>}

Yeah. I think that's a very good summary, Alain. I think if you go back this year, I mean the commercial auto combined ratio was 96% in Q1, 94% in Q2, 97% in Q3. That's not good, but that's not a reason to panic. I think after the third quarter, we said we need to improve the performance of that line of business.

And if you look in Q4 per se, the underlying current year loss ratio improved by a few points, but the prior year development was 10 points worse than last year. And this is, I think, where I'm saying, our appointed actuary wants to make sure that we're not in an unfavorable development position starting in 2016. So I think you have that coming and then you have, what I think is a robust action plan ruling at the same time.

Q - Kai Pan {BIO 18669701 <GO>}

Well, thank you so much for the detailed answer. My second question regarding - on the capital management side. It looks like you initiated a buyback program that could worse up to maybe more than $500 million. How do you decide it sort of like at what valuation you'll buy back your stock and the size of it versus your excess capital, currently around the $600 million?

And then on the other side of the capital management, on the acquisition front, recently one of your competitors have a sizeable acquisition, I just wonder have you guys - you guys have been always looking for opportunity like that. Just wonder what's the reason behind it? And does it change anything in terms of valuation change your appetites going forward? Thanks.

A - Charles Brindamour {BIO 7012323 <GO>}

Excellent. I will let Louis comment on the capital framework, and then I'll share with you my perspective on the buyback, because we talked about that last quarter during the earnings call, and then we'll talk about the M&A. Go ahead, Louis.

A - Louis Marcotte {BIO 18040440 <GO>}

Thanks, Charles. So firstly, just a reminder, we have a bias towards keeping capital for M&A opportunities as you know, so we took a decision with keeping that in mind and it's important.

The way we're - we execute and we don't get into the details, but the more we get away from what we believe is the intrinsic value of our stock, the more we'll buy. So, the pace of buyback is accelerating as much as the price is discounted to the internal value that we've calculated. And the concept behind the - or the reasoning is that we are in strong capital position, we have a good capital outlook for next year, and therefore we can deploy some of the capital when we believe the discounted intrinsic value is quite high. So, that's a bit how we're going to execute the buyback...

A - Charles Brindamour {BIO 7012323 <GO>}

Yeah.

A - Louis Marcotte {BIO 18040440 <GO>}

...in the coming year.

A - Charles Brindamour {BIO 7012323 <GO>}

We intend to be opportunistic with the buyback here. I don't think the intention is really to buy $500 million worth of shares. I think we'll find good opportunities in the hierarchy of capital management. That's what we intend to do.

That being said, if you look at what happened in the past three weeks to a month, shares have been beaten up and for me, it's a clear reason to be out there and operate the buyback and be opportunistic. I think that this is no justification for what we've seen, and therefore, we'll be on that in the near-term.

So, it's not because we don't see opportunities in the market. We just think that, the fall is certainly hard to justify and the distance with our perception of intrinsic value is such that, we want to be out there with the buyback.

On the M&A I think this really just proves our thesis that there will be consolidation in the marketplace. It also underlines a view we've had that P&C is very different from banking and our acquisition of CDI earlier this year was a proof point of that. I think the transaction you're referring to is another proof point of that. And therefore, for us, sort of the canvas that we think we're operating in is very consistent with the view we had a few years back, it's happening.

Q - Kai Pan {BIO 18669701 <GO>}

And what prevent you from pursuing that deal, is it the valuation side?

A - Charles Brindamour {BIO 7012323 <GO>}

Yeah. I'm not going to comment on specific deals.

Q - Kai Pan {BIO 18669701 <GO>}

Yeah. That's fair. Thank you so much for all the answers.

A - Charles Brindamour {BIO 7012323 <GO>}

Okay. No problem.

Operator

Your next question comes from Meny Grauman from Cormark Securities. Your line is open.

Q - Meny Grauman {BIO 15238080 <GO>}

Good afternoon. Definitely better than seasonal weather was an impact in the quarter. I'm just wondering, you referenced it but I'm wondering if you could give us a little bit more granularity on the impact specifically in personal property and commercial, P&C?

A - Charles Brindamour {BIO 7012323 <GO>}

Of the good weather?

Q - Meny Grauman {BIO 15238080 <GO>}

Yeah.

A - Patrick Barbeau {BIO 18476397 <GO>}

So, in Q – if I look at Q4 for personal property, it was, yes, good weather. Generally normal levels of PYD, and so no impact. And that's why we reported a healthy underlying loss ratio of 41.6%, that's slightly above prior year. There was a few things that may be affected the result, but overall 72.7% combined is where we're at.

It's tough to say when there is no weather how much it improved your results. But compared overall for the year, the weather mostly in Atlantic – the non-cat weather events that we referred to had affected our results for the full year by 1.5 points. So that's more on the other side. But in Q4, I think the action plan that we have implemented was fully reflected in our earnings and that's more in our view what has created the good results.

A - Charles Brindamour {BIO 7012323 <GO>}

I think in aggregate, it's hard to put a number on that in terms of cat and weather patterns broadly. Our take is that, in aggregate for the quarter you probably have $0.10 after-tax of upside because of the good weather plus or minus a few cents there, but there's a bit of speculation, so to speak, with regards to what that number is.

It's very clear to us that what you're seeing this quarter is action plans taking effect in commercial P&C. And on the other hand, bit of strengthening our position in the automobile lines of business, as we introduce action plans in auto.

Q - Meny Grauman {BIO 15238080 <GO>}

Thanks for that. That's very helpful. And then, if I could ask another question. You talk about expected improvement on the bodily (33:38) claim issue in Alberta in 2016, and expect improvement in commercial auto in 2016? So, I'm wondering when you look into 2016, what's the most – what worries you most, it seems like a lot of the issues that we've seen kind of developed over last year seem to be being dealt with quite effectively with action plans that seem to be working out. But when you look ahead, what gives you the biggest headaches going forward?

A - Charles Brindamour {BIO 7012323 <GO>}

Headaches. We don't have headaches. So, I would say that I'm hoping that – I'm not counting on that, but I'm hoping that the government and the regulatory authorities in Alberta work alongside the industry to tame inflation in the system. I think we're taking actions, our claims, we – Mathieu and I were in Alberta last week to meet lots of claims adjustors to make sure that we were on top of things, and I do think we are. And I'm hoping that the government to tame inflation for Alberta, because that's the last thing we need right now is inflation in automobile insurance in Alberta. I'm hoping that the government works on finding ways in the product to tame chronic pain, inflation as well as minor injuries being treated as non-minor.

But, overall, every time an issue emerges, we direct the organizations energy towards the problem try to understand the problem, when we don't fully understand it and it persist, we put an action plan in place and that seems to work for us. And quite frankly, I think the operating environment is such that, the action plans that we put in place and that we're putting in place shouldn't harm too much our top line and fourth quarter purely shows that it's the case.

I think, Alberta in general, not just in automobile insurance but in commercial lines as well is an area we'll spend more time in this year to make sure that we win as an insurer in that marketplace in a period of slower economic environment and a bit of inflation in automobile insurance. But, I don't have short-term worries. I think, as I've mentioned at the Investors Day, we're totally focused on transforming the organization to make sure that we provide our client an experience that's second to none. So that if and when disruption takes place in the marketplace, in particular in personal lines, we're positioned to come out on top. That I would say is the organizations, I don't know if worry is the right thing, but that this certainly is where we're investing our energy.

Q - Meny Grauman {BIO 15238080 <GO>}

Thank you. And just to clarify that issue of inflation in Alberta, is it – do you see it being impacted by the worsening economy there, is there a...

A - Charles Brindamour {BIO 7012323 <GO>}

Not clear - It's not clear. I think anecdotally, you hear of pressure, but I think the pressure was building up before the economy slowed down. We're certainly on high alert on that front, but it's not clear to me, I don't know Mathieu if you want to add to the perspective there.

A - Mathieu Lamy {BIO 15207469 <GO>}

No. This is exactly it. We're watching for theft (37:35) frequency to see if we see an increase. We see a bit of it at this point, but at the end theft (37:41) represents 5% of our losses. So but, it's something we watch carefully in those downturns.

A - Charles Brindamour {BIO 7012323 <GO>}

Yeah.

Q - Meny Grauman {BIO 15238080 <GO>}

Thank you.

A - Charles Brindamour {BIO 7012323 <GO>}

I think the teams out there are on high alert is what I will say. And so we'll report on that if there is anything of substance to report on in the coming quarters.

Q - Meny Grauman {BIO 15238080 <GO>}

Thank you.

Operator

Your next question comes from Brian Meredith from UBS. Your line is open.

Q - Brian Robert Meredith {BIO 3108204 <GO>}

Thanks. A couple of questions here for you. Quickly, on the M&A front, Charles, does the weak Canadian dollar at all kind of make you think twice about looking into the U.S. market or outside of Canada at this point?

A - Charles Brindamour {BIO 7012323 <GO>}

It doesn't - it puts pressure on the model. There is no doubt, but it doesn't make us reconsider to look outside.

Q - Brian Robert Meredith {BIO 3108204 <GO>}

This could make it more challenging to get your price.

A - Charles Brindamour {BIO 7012323 <GO>}

Yeah, that's it. I think that the combination of shooting for IRRs and then the devaluation of the dollar depending on the country you're looking at is certainly is a source of pressure, but it doesn't change the strategy as far as I'm concerned. The other thing is it also depends on your perspective on what the long-term exchange rate should be depending on the currency you're looking at. And I think if you think you're not too far from the equilibrium level then that's also reflected in your model. If you're far from what you think the equilibrium model is, the wrong way, that puts a fair bit of pressure on your model, and your ability to act outside the country.

Q - Brian Robert Meredith {BIO 3108204 <GO>}

Got you. And then just quickly, what's the outlook for 2016 for distribution acquisitions?

A - Charles Brindamour {BIO 7012323 <GO>}

I think the outlook is pretty good for 2016, for distribution acquisitions actually. I think that – what I would call super fragmentation of distribution in Canada, offers a lot of opportunities. We're partnering with about 50 entrepreneurs, where we have equity stakes, to consolidate. BrokerLink linked is a consolidator. So in terms of footprint to find opportunities, it's as – I think, as good as it gets, the fragmentation is really significant. The returns on these trades have been really good for us. And therefore, we'll put as much capital as we can find good opportunities there. I think it's actually pretty good.

Q - Brian Robert Meredith {BIO 3108204 <GO>}

Okay.

A - Charles Brindamour {BIO 7012323 <GO>}

I'll ask Louis to give additional color.

A - Louis Marcotte {BIO 18040440 <GO>}

Well, I think you're right. I think it's good and we're active out there. Brokers are moving, some are retiring, whatever they're transacting, and so still we think a good environment to operate in. It's hard to predict specifically, but I think the environment is positive for consolidation.

A - Charles Brindamour {BIO 7012323 <GO>}

I think people increasingly understand that scale is key in Personal Lines distribution. And that's what we're after in that exercise.

Q - Brian Robert Meredith {BIO 3108204 <GO>}

Okay. So the rate of growth you had in 2015, would it be unreasonable to expect it in 2016 as far as distribution revenues?

A - Louis Marcotte {BIO 18040440 <GO>}

So we're suggesting north of 10% organically.

Q - Brian Robert Meredith {BIO 3108204 <GO>}

Okay.

A - Louis Marcotte {BIO 18040440 <GO>}

So, I would stay there. It's just hard to predict, Brian, so what we have in the book right now should drive that and then...

Q - Brian Robert Meredith {BIO 3108204 <GO>}

Yeah.

A - Louis Marcotte {BIO 18040440 <GO>}

...hope we will be able to...

A - Charles Brindamour {BIO 7012323 <GO>}

Yeah. (41:21).

Q - Brian Robert Meredith {BIO 3108204 <GO>}

Great. Great. And then just last quick question on Ontario auto, you noted here that first quarter 2016, you're going to put through the remaining rate reductions. Just curious, Charles, how much of the acceleration in growth of personal auto do you think is attributable to the fact that you've been cutting rates faster than the industry? And could the fact that the industry is going to have to catch-up to you guys at some point, maybe offset some of that growth?

A - Charles Brindamour {BIO 7012323 <GO>}

I'll let Patrick give his perspective. It's important to bear in mind that we were shrinking in Ontario at the same time last year. So why don't you share your perspective?

A - Patrick Barbeau {BIO 18476397 <GO>}

Yeah.

A - Charles Brindamour {BIO 7012323 <GO>}

Okay.

A - Patrick Barbeau {BIO 18476397 <GO>}

So, Brain, our last rate decrease was implemented in Ontario in last April or May, so this is not a recent action, and we've seen continuous acceleration throughout the year 2015. I think one of the key reason for our success there is our – well on the distribution side, but more importantly, our UBI offers, which is very competitive in the market, and we've seen the pickup there increase significantly in the latter part of the year. And I think that will continue to be an advantage for us, even if we forecast that we might have a slightly lower rate reduction coming in 2016 than the average of the industry. I don't think it will affect significantly our ability to grow.

A - Charles Brindamour {BIO 7012323 <GO>}

Yeah, I think that's right. You talk about UBI, which is a big driver of growth in the digital experience, Quick Quote and so on has also driven a fair bit of traffic. And we've increased response advertising meaningfully this year by close to 50% across business units. And as you know it, we think, it's really important to build household names. We've shrunk our expense base to allow us to spend more in marketing, and we'll keep doing that this year. So, I think, there will be a few points that we'll lose, I think, in relative terms rate wise. What this will translate into from a top line point of view, I'm not sure nor overly concerned. I think, we'll have to watch our top line in Alberta, though, because an 8% rate increase, I think will be ahead of the market there and that might be bit of a source of pressure, but I'm not concerned in aggregate with our rate actions and what it can do on our top line.

Q - Brian Robert Meredith {BIO 3108204 <GO>}

Great. Thanks for the answer.

Operator

Your next question comes from John Aiken from Barclays. Your line is open.

Q - John Charles Robert Aiken {BIO 21267604 <GO>}

To the prior year development, that we've seen in 2014 accident year, obviously, the commercial auto side is definitely seeing some improvements, where we did see a take up on the personal auto. Is there any parallels between the two that we can read into and are we facing additional stresses in 2016 on prior year development on personal auto.

A - Patrick Barbeau {BIO 18476397 <GO>}

Well, as we briefed you, (44:46) I think, the slight decrease in prior year development or favorable prior year development in Q4, as we mentioned earlier is all due to a situation in BI, Alberta. I think, we're comfortable with what we've done on the reserve side as of the end of 2015. So, I think, we can expect the PYD for that line to go back to probably the higher range of what we have discussed, higher part of the range of what we've talked about in prior quarters. So, don't think there is a pressure on the PYD for this year, that was mostly a onetime reflection of the trends in BI, Alberta.

A - Charles Brindamour {BIO 7012323 <GO>}

Yeah. I think that's a fair statement. I think some of the pressure we've seen in Alberta, in personal, we also see in commercial auto and that's part of the action plan, but otherwise I'm not really concerned about prior year development in 2016 because I think the action plan in pricing, some of the moves we're making in claims, management and then the appointed actuary sort of reacting to a bit of adverse development in some of these lines earlier this year by being corrective, so to speak, in Q4 gives me a fair bit of confidence when I'm thinking about this year.

Q - John Charles Robert Aiken {BIO 21267604 <GO>}

Great. Thanks. And Louis, just for clarification, you mentioned that there was actually a 5-point impact on the regulatory capital ratio because of the capital markets action to-date?

A - Louis Marcotte {BIO 18040440 <GO>}

That's right.

Q - John Charles Robert Aiken {BIO 21267604 <GO>}

Did I give hear that correctly?

A - Louis Marcotte {BIO 18040440 <GO>}

That's right.

A - Charles Brindamour {BIO 7012323 <GO>}

Yeah.

Q - John Charles Robert Aiken {BIO 21267604 <GO>}

Okay.

A - Louis Marcotte {BIO 18040440 <GO>}

So, the hit from January 1 till yesterday is roughly equivalent to 5 points.

Q - John Charles Robert Aiken {BIO 21267604 <GO>}

And obviously, as you mentioned, offset by changes to the regulatory regime, so not a complete deterioration, but when we look at your investment portfolio, the investment in equity is really is to get the tax advantageous nature of the dividends, is there any thoughts or discussion to altering your energy portfolio given the fact that we've actually have seen some dividend reductions coming out of that space?

A - Louis Marcotte {BIO 18040440 <GO>}

So globally, I would say we're quite comfortable with the mix, whether there are some decisions at the individual levels perhaps, but globally the mix I'd think will be stable.

A - Charles Brindamour {BIO 7012323 <GO>}

I think this is up to our PMs at this stage to go in and out depending on their perspective. I think the other thing that's important to bear in mind, in the past 24 months if you look at our common share portfolio, which is about 13% of our investment base, 5 points out of the 13 points is in the U.S. And if you go back 24 months, this was very close to zero. So, this sort of macro perspective on Canada's concentration for certain sectors namely, energy and financial has been in part addressed by a meaningful reallocation of our portfolio in the past 24 months towards the U.S. So that's the macro piece that sort of where Louis and I are involved with the investment team. Then at the common stock level or securities by securities level, it's the PMs' job to make sure that they're focused on the strategy and the objective of total after tax return. I don't know Louis, if there is anything that can be added there.

A - Louis Marcotte {BIO 18040440 <GO>}

I think you've covered it.

A - Charles Brindamour {BIO 7012323 <GO>}

Okay.

Q - John Charles Robert Aiken {BIO 21267604 <GO>}

No, that's great guys. Thank you very much.

Operator

Your next question comes from Tom MacKinnon from BMO Capital. Your line is open.

Q - Tom MacKinnon {BIO 2430137 <GO>}

Thanks very much. Just with respect to commercial P&C, what's the average rate increase you're seeing right now? And what are you seeing in terms of the commercial market in Alberta? And I've got a follow-up.

A - Charles Brindamour {BIO 7012323 <GO>}

Thanks, Tom. We'll ask Alain to give his perspective on that front.

A - Alain Lessard {BIO 21962461 <GO>}

Okay. So on the commercial lines rate increase, it's been for us the eighth quarter in a row in the fourth quarter of 2015 that we've seen rate increase in the 4%, 5%, so mid-single-digit. So, we don't see any momentum currently to go further than that, but that's about where we are right now. So, it's a very – it's still, in our mind, a firm market, okay. We are anecdotally also hearing from the market from our different region, action taken by our competitors, either on rates or non-renewal that are basically indicating the same thing. So, we see currently still a firming market. And on an earned level basis, we'll see our earned rate level continue to increase at least for the next 12 months to 18 months.

Q - Tom MacKinnon {BIO 2430137 <GO>}

And with respect to Alberta, yeah.

A - Alain Lessard {BIO 21962461 <GO>}

On the Alberta, this is – this one is a tough question. Trying to see the perspective of the impact on the Alberta market, right now, I can tell you that we estimate the impact of the reduction in the economy in the Alberta to be about a reduction of growth of 0.5 point in commercial P&C. And just let me explain, what we've seen so far in Alberta on the oil and gas segment, is basically a reduction in premium in the 10% to 15% and that's been fairly stable throughout the year in 2015.

So, since the oil and gas is about 20% of our portfolio in Alberta, that means a reduction in Alberta of roughly 3%. And Alberta being 17% of our commercial portfolio, we see an impact of about 0.5 point. And that, I would say that phenomenon has been contained solely to Alberta. Where it becomes more difficult is when we look at emerging trend and trying to foresee again in the future. What we saw in the last fourth quarter of 2015 is also a reduction in Alberta, in the contractor segment of our portfolio, which represent about 10% and we saw a reduction again in the range of about 10%.

So if there's a negative trend possibly on the Alberta that it could reduce or improve – or not improve, but grow the impact of the negative economy to a reduction from, let's say, 3% to 6%. But on the other end, there are positive sign on the export side. Lately, Statistics Canada published that the export are picking up in the last month. That would affect our manufacturing sector, it will affect our service sector, which represents 15% of our book.

A low Canadian dollar also will affect the replacement cost of the stock of our clients or retailer and wholesaler, conducive of higher premium and this represent about 15% of our portfolio. So overall, we have, going forward, positive vectors and negative vectors. So the end result is very difficult to forecast and in our mind could be relatively minimal.

A - Charles Brindamour {BIO 7012323 <GO>}

I think, Tom, just so we're clear, we've seen in the past four months in commercial P&C, a deterioration in the top line. At general days, I think Alain is talking about the oil and gas practice, surety, now and in the past few months we're seeing some pressure at the contractor level. So clearly, it's a source of pressure and exchanged a fair bit in the past four months, five months.

I would say, in June it was almost a non-issue limited to surety in oil and gas. And I think in the fourth quarter, right up to January actually, we're seeing a bit of pressure there. I think Alain is absolute right. This is a small portion of our commercial lines portfolio and there's all sorts of moving pieces. So the overall outlook from a pure top line point of view is not a concern, but Alberta has changed, that's for sure. And we'll keep our eyes on what's happening there.

Q - Tom MacKinnon {BIO 2430137 <GO>}

Okay. Thanks for that. And then just on the positive impact of the MCT you expect over the next two years, the final guidelines are put out in November 30, maybe you can just refresh our minds as to what the positive impact on the MCT would be?

A - Louis Marcotte {BIO 18040440 <GO>}

Sure. So, you remember the guidelines give more credit in fact to the hedging positions that we have. And obviously it's working towards a more better risk based framework. So, that provides a bit of additional point. We estimate about 1.5 points to 2 points per quarter of additional MCT from the 2016 guidelines, rolling out over two years, starting in Q1 this year.

Q - Tom MacKinnon {BIO 2430137 <GO>}

Thank you very much.

Operator

Your next question comes from Paul Holden from CIBC. Your line is open.

Q - Paul Holden {BIO 6328596 <GO>}

Good morning.

A - Charles Brindamour {BIO 7012323 <GO>}

Good morning, Paul.

Q - Paul Holden {BIO 6328596 <GO>}

So, 2015 overall obviously was very good year for the company, particularly in commercial P&C and personal property. And then, when we look at the result for personal auto, in terms of the combined ratio at 95.4% like, how do you view that result? Is that kind of, is it a mediocre result, is it a good result, is there room for improvement there?

A - Charles Brindamour {BIO 7012323 <GO>}

Oh yeah. I think, 95.4% we don't view as good. I think, we are in that sort of interest rate environment, if you want to be in the – we price from using ROE targets and 95% – 95.4% doesn't cut it as far as we're concerned. The pressure point this year, we've had a fair bit of weather in Q1, where we've seen frequencies go up and you'll recall the Maritime story in Québec and then Alberta, and I think, if it wouldn't be for those two issues, the results would be meaningfully better, but 95.4% is not something we consider really good.

Q - Paul Holden {BIO 6328596 <GO>}

Okay. And then second question is going back to the discussion on the MCT and the estimated 5-point impact post Q4. Based on the sensitivities you provide in your MD&A, it would suggests that the vast bulk of that impact is from the pref share market. And then if that's the case, the implication will be that that's all mark-to-market impact with very little probability of impairments, so just looking to clarify that I'm working along the right lines.

A - Louis Marcotte {BIO 18040440 <GO>}

You are absolutely. So, the Q1 is driven by pref shares. They are mark-to-market but in OCI, (56:24) so it would hit – it hits the capital but not the – on the P&L.

Q - Paul Holden {BIO 6328596 <GO>}

Okay. Thank you, very much.

Operator

Your next question comes from Doug Young from Desjardins Capital Market. Your line is open.

Q - Doug Young {BIO 5640851 <GO>}

Hi. I guess, (56:40) but good morning.

A - Charles Brindamour {BIO 7012323 <GO>}

Good morning.

Q - Doug Young {BIO 5640851 <GO>}

Just can you remind...

A - Charles Brindamour {BIO 7012323 <GO>}

Well Doug, Doug.

Q - Doug Young {BIO 5640851 <GO>}

Hey, no worries I've been called lots of different names.

A - Charles Brindamour {BIO 7012323 <GO>}

I think, I've called Ton, (56:52) Doug before also. So...

Q - Doug Young {BIO 5640851 <GO>}

It's okay, I don't take offence. And, the personal auto side, Alberta, can you remind me that what size that is of your total portfolio? And where I'm going, if I - and I also want to kind of dig into the just the Alberta auto a little bit more in terms of - I think in the mid-2000 there were some issues around the minor injury, around trial lawyers and some inflation pressure. And it sounded like your description of what's going on now in terms of the inflation pressure is similar, but maybe it's different. And so, I'm just trying to get a sense of that. And then, when is the last time in Alberta there was actually reform put through on the personal auto side?

A - Charles Brindamour {BIO 7012323 <GO>}

So, ballpark, Alberta's automobile portfolio in relationship with the overall portfolio is less than 20% in auto. It's definitely less than 20%. The reforms took place in 2003 or 2004, at the time, the issue, let's just so we're clear, that's 12 years, 13 years ago, the issue was that minor injury has led to a lot of inflation. And, what the government did like other governments from coast to coast at that time was to introduce a cap or pain and suffering awards on minor injury. This cap was introduced back then, it choked inflation in the system completely. There has been a couple of court decisions in 2012 and last year that have weakened a bit the impact of the cap. And that has been a source of inflation in the system. But, there has been very little inflation until 2011 or 2012. I'll ask Patrick to give his perspective and also to talk about other reforms that have taken place, which I don't think there was, but...

A - Patrick Barbeau {BIO 18476397 <GO>}

No, in fact that there was no other reforms. And through our discussions with IBC and the government of Alberta, there are some opportunities to adjust the product that we're seeing and hopefully that will eventually help containing that inflation. But no other reforms in the recent past as you see - on the - how big it is for our portfolio, if I combine both personal auto and commercial auto in Alberta, it's - overall it's 12% at the IFC book at this moment and about a third of that is represented BI piece of it that there is obviously a physical damage, so we're talking about a 4% of our overall book that's exposed to BI (1:00:04).

A - Charles Brindamour {BIO 7012323 <GO>}

Overall automobile portfolio.

A - Patrick Barbeau {BIO 18476397 <GO>}

Yeah.

Q - Doug Young {BIO 5640851 <GO>}

And so is there discussions with the government around?

A - Patrick Barbeau {BIO 18476397 <GO>}

Sorry, just (1:00:12) to make sure 4% of the overall IFC is total auto BI, Alberta.

Q - Doug Young {BIO 5640851 <GO>}

Okay. I got that. Then is there a discussion with the government rate now about implementing reform, typically you get a lot of inflation built in, as people kind of learn to work the system a little bit and sounds like maybe some of that is coming through. But is there conversations with the government around - like price increases are great, but is there reform discussions with the government ongoing right now?

A - Charles Brindamour {BIO 7012323 <GO>}

Yeah. I mean a number of us, myself included, have been engaged since 2013 basically with the superintendent and the government in Alberta to highlight where we saw pressure points and how they could fix it. And that's why when somebody asked earlier, what's your – what are you wishing for, so to speak, this year? So, I'm wishing for the government to take action on what our, I think very concrete proposals, that would help alleviate the pressure.

Just so we're clear, Doug, we're not losing sleep over this. I think we've got a pretty good action plan, I think, it's well contained, but I think it is in Alberta's interest and the government's own self-interest, I think to take a few of the concrete measures, we've laid out for them.

Q - Doug Young {BIO 5640851 <GO>}

And then just secondly, I mean, Ontario auto, I think you mentioned that you expect about three points to five points of further cost reductions for Ontario personal auto to come through. Can you remind me, where that's coming from, because I think most of the catastrophic, the introduction of the new catastrophic definition, correct me if I'm wrong (1:01:55) but maybe I'm wrong on that but where is the additional three points to five points coming from?

A - Charles Brindamour {BIO 7012323 <GO>}

We'll ask Mathieu to give you his perspective on...

A - Mathieu Lamy {BIO 15207469 <GO>}

The bulk of the reduction will come on the accident benefit side. There is three type of claims we consider in accident benefit, there is the moderate claims or what we call the minor injury claims. There is the basic claims that are the middle of the row, and there is the cap claims, the more severe claims. And on the basic and the cap at the middle of the range and the higher portion of the range, there is a reduction of coverage, with an offer to buy back for insurers. So, that's where the reduction and benefit will be. And on the minor injury claims, like it's just a different approach to treat these claims, that the government will introduce this year. And most of it will be effective in 2016.

Q - Doug Young {BIO 5640851 <GO>}

And so, I guess the cap, the benefit from the cap claim definition is not in the results yet. So, that's coming through in 2016.

A - Charles Brindamour {BIO 7012323 <GO>}

That's right.

Q - Doug Young {BIO 5640851 <GO>}

Okay. Okay.

A - Charles Brindamour {BIO 7012323 <GO>}

There is – I think there is meaningful stuff coming in June. And, an aggregate, when I look at where we were three years back when the 15% number was thrown on the table, where we are today, I mean the government worked really hard to find as much as they could out of the current system to get a better deal so to speak for Ontarians and better allocate coverage so to speak where the need really is, and try to get fraud out of the system. So, it's been a pretty healthy process as far as we're concerned. And, we're happy to grow in that province.

Q - Doug Young {BIO 5640851 <GO>}

And then, to the last - Louis, I guess $625 million of excess capital is the number you put out there. What's the MCT you're assuming with the $625 million of excess capital?

A - Louis Marcotte {BIO 18040440 <GO>}

It's 203%. (1:03:59)

A - Charles Brindamour {BIO 7012323 <GO>}

No, this is - it's 170%. (1:04:02)

A - Louis Marcotte {BIO 18040440 <GO>}

Well, I'm sorry, where it's measured from? 170% (1:04:04) yes.

Q - Doug Young {BIO 5640851 <GO>}

Yeah, it's 170%. (1:04:06) So, I guess where I'm going is, is that something - will you be comfortable running at 170% (1:04:09) or what's the more normal MCT that you're comfortable running that. I'm just trying to wrap my mind around what excess capital in my view would be?

A - Charles Brindamour {BIO 7012323 <GO>}

I think, Doug, the - we would not run on the line, we'd run in the upper-80%s and the upper-90%s. But, bear in mind that we have a number of things in our toolbox that are not reflected in the excess capital position we have today. So, there is meaningful capital that could be, I won't say released, but capital required that could be reduced if we unlock a number of those elements in the toolbox.

Q - Doug Young {BIO 5640851 <GO>}

And what would those be, Charles?

A - Charles Brindamour {BIO 7012323 <GO>}

You want to comment on that?

A - Louis Marcotte {BIO 18040440 <GO>}

Yeah.

A - Charles Brindamour {BIO 7012323 <GO>}

High level - high level?

A - Louis Marcotte {BIO 18040440 <GO>}

Yeah. So, as you know, we carry some long positions on stock with hedge on the other side or which works on the other side. On the capital front, where we pay the capital on the long end, we don't get the credit on the short end, so, those are typical buffers. So we could unwind those fairly quickly, if we needed to generate additional capital. So, when we say, we run we're comfortable running in the upper 80%s or low 90%s, it's because, we know, we can absorb volatility, because we own those buffers and could eventually deploy them to absorb some shocks.

So, those are - that's where we say, we're in a strong position, because, we are - we do have excess capital, we're well above the minimum limits, but if we had to absorb some shocks or use capital on - or deploy capital, we always have those buffers to sort of absorb some of the volatility for the capital needs.

Q - Doug Young {BIO 5640851 <GO>}

Yeah. Perfect. Okay. Now that's what I was looking for. Thank you very much.

A - Charles Brindamour {BIO 7012323 <GO>}

Thanks.

Operator

Your next question comes from Mario Mendonca from TD New Crust. Your line is open.

Q - Mario C. Mendonca {BIO 2450557 <GO>}

Good afternoon. One quick question. Louis, when you refer to the 5% reduction in MCT, if you could apply those assumptions, to arrive at that 5% reduction, apply those to your book value per share, what sort of percentage hit would you expect?

A - Louis Marcotte {BIO 18040440 <GO>}

Between 2% and 3%, I would say.

Q - Mario C. Mendonca {BIO 2450557 <GO>}

Got you. Thanks very much.

Operator

We do not have any questions at this time. I will turn the call over to the presenters.

A - Samantha Cheung {BIO 19462616 <GO>}

Thank you all for your participation today. Following this call, the telephone replay will be available for a period of one week, while the webcast will be archived in our website for a period of one year. A transcript will also be available in the quarterly financial archive. Our first quarter 2016 results will be released on May 4, of this year and our AGM will follow thereafter. With that I would like to conclude the call. Thank you for your participation today. Thank you.

Operator

This concludes today's conference call. You may now disconnect.