Q1 2017 Earnings Call

Company Participants

- Anne G. Waleski, Chief Financial Officer & Executive Vice President
- Richard R. Whitt, III, Co-Chief Executive Officer & Director
- Thomas S. Gayner, Co-Chief Executive Officer & Director

Other Participants

- Bob Farnam, Analyst
- Jeff Schmitt, Analyst
- Mark Dwelle, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good morning, and welcome to the Markel Corporation First Quarter 2017 Conference Call. All participants will be in listen-only mode. After today's presentation, there will be an opportunity to ask questions.

During the call today, we may make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. They are based on current assumptions and opinions concerning a variety of known and unknown risks. Actual risks (sic) [results] may differ materially from these contained in or suggested by such forward-looking statements.

Additional information about factors that could cause actual results to differ materially from these projected in the forward-looking statements is included under the captions Risk Factors and Safe Harbor and Cautionary Statement in our most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q.

We may also discuss certain non-GAAP financial measures in the call today. You may find a reconciliation to GAAP of these measures in the Form 10-Q, which can be found on our website at www.markelcorp.com in the Investor Information section. Please also note that this event is being recorded.

I would now like to turn the conference over to Mr. Tom Gayner, Co-Chief Executive Officer. Please go ahead, sir.

Thomas S. Gayner {BIO 1896932 <GO>}

Good morning. Thank you for joining us. It's my pleasure to welcome you this morning to our first quarter 2017 conference call. I think, our first quarter stands as a good example of the value of our diversified business model. While we encountered an unexpected item in our insurance business, we enjoyed very good returns from our investments in our Markel Ventures operations.

In a short time period, such as any single quarter, results have been and will continue to be volatile. We never know where and when elements of our business will be better or worse than expected. In long run though, returns normalized and we continue to build on our long-term record of financial progress.

Our long-term record continues to be based on our dedication of serving our customers, associates and shareholders, and that never changes. As we wrote in this year's annual report, same stuff different day.

With that as a preamble, I'll turn the call over to Anne Waleski, our Chief Financial Officer. She will review the numbers, and Richie Whitt, my Co-CEO will discuss our insurance operations, and then I'll make a few brief comments about our investments and Markel Ventures operation. After that, we'll open up the floor for questions. Anne?

Anne G. Waleski {BIO 16735457 <GO>}

Thank you, Tom, and good morning, everyone. As Tom just mentioned, and as we previously announced, our first quarter results were negatively impacted by the decrease in the Ogden rate, but otherwise were in line with our expectations. We continue to see positive contributions from our Markel Ventures operations, and our growth in book value was driven by returns on our investment portfolio.

Total operating revenues grew 2.5% to just over $1.4 billion in 2017. This increase was primarily attributable to higher earned premiums in our U.S. Insurance and Reinsurance segments and higher net investment income.

Starting with our underwriting results, gross written premiums were $1.5 billion (03:41) for the first quarter of 2017, compared to $1.4 billion in 2016, an increase of 5%, driven primarily by an increase within our Reinsurance segment, partially offset by lower gross premium volume in our International Insurance segment.

Higher gross written premiums in our Reinsurance segment were attributable to two large specialty quota share treaties that were written during the first quarter of 2017. Partially offsetting these new contracts was lower premium volume in our general liability, property and other lines of business. The decrease in gross written premiums in the International Insurance segment was primarily due to lower premium volume in our professional liability and property product line, and an unfavorable impact from foreign currency exchange rate movements.

In the U.S. Insurance segment, premium volume was down due in part to increased volume in 2016 related to the timing of closing our underwriting systems, which you may recall from last year. Excluding the impact of this timing difference, we continue to see growth in our personal lines business and workers' compensation product lines.

Market conditions remain very competitive. Consistent with our historical practices, we will not write business when we believe prevailing market rates will not support our underwriting profit targets.

Net written premiums for the first quarter of 2017 were $1.3 billion, up 7% from the prior year for the same reasons I just discussed, as well as a 1 point increase in retention from 85% last year to 86% this year. The increase in retention was attributable to our International Insurance segment due to higher retentions on our professional liability and marine and energy product lines. Earned premiums increased 3% to $983 million for the first quarter of 2017. This growth is attributable to higher premium volume.

Our consolidated combined ratio for the first quarter of 2017 was 100% compared to an 88% last year. The increase in the combined ratio was driven by less favorable development on prior-year loss reserves and a higher current accident year loss ratio compared to the same period of 2016.

The consolidated combined ratio for the first quarter of 2017 included $85 million, or 9 points of adverse development on prior-year loss reserves, resulting from the decrease in the Ogden rate, which is used to calculate lump sum awards in UK bodily injury cases.

Effective March 20, 2017, the Ogden rate decreased from a positive 2.5% to a negative 0.75%. This represents the first change in that rate since 2001. The effect of the rate change is most impactful to our UK auto casualty exposures through reinsurance contracts in our Reinsurance segment. We ceased writing new UK auto business in late 2014.

The reduction in the Ogden rate increased the expected claims payments on these exposures, and we increased loss reserves accordingly. The current accident year loss ratio for the first quarter of 2017 was higher than last year due to higher loss ratios across all of our Insurance segments.

Next, I'll cover the results of Markel Ventures. Revenues from Markel Ventures for the first quarter of 2017 were $287 million, which is consistent with 2016. Higher revenues across our non-manufacturing operations were offset by lower revenues in certain of our non-manufacturing operations due to lower sales volume. Net income to shareholders from Markel Ventures for the period was $14 million in 2017 and EBITDA was $42 million, both of which were also in line with 2016 results.

Moving to our investment results, investment income increased from $91 million for the first quarter of 2016 to $100 million this year. The increase was driven by short-term investment income, primarily due to higher short-term interest rates, higher dividend income due to increased equity holdings, and higher interest income on our fixed maturity portfolio due to increased holdings of fixed maturity securities compared to the same period of 2016.

Net realized investment gains were $21 million in both periods. Given our long-term focus, variability in the timing of realized and unrealized gains and losses is to be expected.

Looking at total results for the year, our effective tax rate was 24% in the first quarter of 2017, which is consistent with the first quarter of 2016. We reported net income to shareholders of $70 million in the first quarter of 2017 compared to $160 million a year ago. Comprehensive income to shareholders for the period was $223 million compared to $397 million a year ago. And as a result, book value per share at the end of March 2017 was $620, an increase of 2% since the end of 2016.

Finally, I'll make a couple of comments on cash flows and the balance sheet. Net cash provided by operating activities was $12 million for the first three months of 2017, compared to net cash used by operating activities of $105 million for the same period of 2016. Operating cash flows in 2017 were net of a $46 million cash payment made in connection with a commutation that was completed during the period.

Net cash provided by operating activities for the first quarter of 2017 reflected lower claims payments and higher premium collections in our U.S. Insurance segment and lower payments for employee profit sharing and income taxes compared to the same period of 2016.

Historically, first quarter is our lowest cash generating quarter based on the timing associated with incentive compensation payments to our associates and to our brokers. Invested assets at the holding company were $2.4 billion at March 31, 2017 compared to $2.5 billion at the end of the year 2016.

With that, I'll turn it over to Richie to talk more about the underwriting results.

Richard R. Whitt, III {BIO 7084125 <GO>}

Thanks, Anne, good morning, everyone. Today, my comments will focus on underwriting operations in our three continuing segments covering U.S. Insurance, International Insurance, and Reinsurance. I'll also provide a brief update on our Markel CATCo operations.

First, I'll start with the U.S. Insurance segment. Gross written premiums for the U.S. segment were down 1% for the quarter. As Anne stated, the first quarter of 2016 had one extra week of premium due to differences in the timing of the closing or underwriting system. Excluding this extra week, premiums would be up 3% in 2017, driven by growth in personal lines, primarily our classic car program and workers' compensation.

The combined ratio for the first quarter was 93% compared to 89% in the first quarter of 2016. The increase in the combined ratio is driven by a 4-point increase in our current accident year loss ratio. The increase is due to higher attritional losses across multiple product lines in this segment.

Our expectation is that, this increase will not continue through the rest of the year. The increase in the current accident year loss ratio is partially offset by more favorable development on prior-year loss reserves in 2017, as compared to 2016, primarily in professional liability and workers' comp.

Next, I'll discuss International Insurance segment. Gross written premiums for this segment are down 6% for the quarter, due in part to the strength of the U.S. dollar in 2017. Additionally, we continue to experience tough market conditions, especially within our property and professional liability lines of business based in London.

The first quarter combined ratio was 88% compared to 95% in 2016. The decrease in the segment combined ratio for the quarter was mainly driven by higher prior-year redundancies in 2017, most notably on our excess liability product lines, which had favorable development this year compared to reserves strengthening last year.

The favorable movement was partially offset by an increase in our current accident year loss ratio in 2017, primarily in our property and marine and energy product lines. The expense ratio also increased slightly due to higher net commissions and changes in our branch office locations, partially offset by lower profit-sharing expense in 2017.

Finally, I'll discuss the results of our Reinsurance segment. We experienced 21% growth in premium volume this quarter, primarily driven by two new large, specialty quota share treaties totaling $137 million. Excluding these contracts, premium is down 9% due to decreases in general liability, audit and property lines. These decreases are due to having a higher frequency of multi-year deals in the first quarter of 2016, as well as non-renewed business and renewal decreases in 2017 as a result of our difficult market. Significant variability in gross premium volume can be expected in our Reinsurance segment due to individually significant deals and timing of renewals on multi-year contracts.

The combined ratio for the Reinsurance segment was 132% compared to 82% in 2016. As Anne just discussed, the significant increase in the combined ratio this quarter is due to adverse development on prior-year loss reserves, driven by the $85 million or 38 points of reserve strengthening in UK motor reinsurance. It's worth pointing out that this London written business was discontinued in 2014.

In addition, we experienced slight adverse development on professional liability and marine and energy product lines this year as compared to favorable movement in 2016. The 2017 current accident year loss ratio is also up slightly for the quarter, due to the impact of higher unfavorable premium adjustments across many of our product lines in 2017. Note that the corresponding benefit of these premium adjustments to losses is included in prior accident years. The increase in our loss ratio is partially offset by a 3-point decrease in the expense ratio, primarily due to lower profit sharing expenses in 2017 as compared to 2016.

I'll make a couple of comments on market conditions. As you might expect, all markets we compete in remain competitive. However, most lines could be best described as 0% to 5% off versus larger reductions last year. There is some discussion in the market that commercial rates are firming and could actually start to edge up. This is much needed and would be a welcome change.

While the market is extremely competitive, that is the natural state of things the majority of the time in our industry. It is the reality in all businesses today. In other words, the market is what the market is, and we need to stay focused on running our business and finding ways to grow profitably.

In this regard, we continue to have solid success. Some noteworthy examples include, in the U.S. we continue to profitably grow our workers' compensation book, and we've enhanced coverage and have expanded states for our BOP product.

In the International, we continue to grow our profitable national markets book, and in Reinsurance, we worked hard and closed two large specialty quota share opportunities in the first quarter. Finally our pending SureTec acquisition adds surety to our U.S. product portfolio. The aftermarket's difficult, but that just means we have to work harder and stay disciplined to grow profitably.

Finally, I'll just make a couple comments about the Markel CATCo operations. Assets under management increased to $4.1 billion at March 31, 2017 from $3.4 billion at the end of 2016. We've seen increased demand from both cedents and investors in 2017. Markel continues to invest approximately $200 million in the Markel CATCo funds.

With that, I'd like to turn it over to Tom.

Thomas S. Gayner {BIO 1896932 <GO>}

Thank you, Richie. I'll pick up here with some comments on our investments and Markel Ventures operation. During the first quarter, we earned an overall return on a publicly-traded investment portfolio of 2.1%. We earned 5.6% on our equity portfolio, 0.7% on our fixed income holdings and added 0.1% from FX effects. I'm happy with those results, and I'd sign up for annualizing that for as long as I could.

I'll also note that on the internal schedules that our investment accountants provide me as I review the results, our convention is to carry things out to one decimal place in reporting the percentage results. The schedule I saw showed our investment expenses at 0.0%. I don't know if they follow the convention of rounding or truncation when they prepare that schedule, but I like the results either way.

In today's world, with the popularity of passive investing and low expenses, we can compete toe-to-toe on expenses. We do so without giving up our ability to think about what we are doing, and why we're doing it. We steer the ship as the captain rather than as a potentially re-accommodated passenger in the back, and I know which one I'd rather be.

Through the quarter, we continue to put money to work as we steadily and methodically added to our equity investment portfolio. Our equity investments now comprise 58% of shareholders' equity, up from 56% at year end. Our fixed income portfolio remains pristine in quality, low expense and performing the role that it's meant to do, namely protecting the interest of our policyholders through thick and thin.

At Markel Ventures, revenues and EBITDA roughly matched last year at $286 million and $41 million, respectively. Our cyclical-related businesses began to feel a bit of the topping out we expected to see in their normal cyclical pattern. Our other businesses continue to make steady progress and perform as expected.

My guess is that this is the pattern we'll probably continue to see for the rest of the year. We continue to actively search for additional opportunities at Markel Ventures, but we remain disciplined in doing so; same stuff, different day.

Prices in this world are high, and there's a lot of capital sloshing around, trying to find deals. We will continue to focus on organic growth opportunities at our existing businesses, and will opportunistically respond when we see the chance to do so.

As always, we deeply appreciate the long-term support from you as our shareholders and business partners as we continue to build the long-term financial value of the Markel Corporation. We would be delighted if you could join us on May 15 here in Richmond for our Annual Meeting.

And at this time, I'd like to open up the floor for your comments and questions.

Q&A

Operator

We will now begin the question-and-answer session. Our first question comes from Bob Farnam of Boenning Scattergood (sic) [Boenning & Scattergood]. Please go ahead.

Q - Bob Farnam {BIO 15005467 <GO>}

Hi, there. Thanks. Good morning. Richie, I have a question on the quota share agreements, totally understanding the backdrop of having reinsurance premiums be pretty volatile, I'm just trying to figure out how to model the quota shares going forward? Can you give us an idea of was there in-force premium that came with this, and what time in the first quarter did it come about, and maybe some other details like what lines of business and if it's global or domestic?

A - Richard R. Whitt, III {BIO 7084125 <GO>}

Sure. Well, probably the first thing to tell you in terms of just how to think about it going forward is they are one-year deals. They're very special deals, so there's no guarantee they would renew in 2018. So that $137 million, it's there for 2017, 2018. We'll have to go through the negotiations, and everything, but they're big deals and they may or may not renew, so I'll say that. Both of them tend to be multi-line deals, one of them is domestic, the other is international, but they tend to be multi-line deals, so both property, casualty, professional things – the various lines.

Q - Bob Farnam {BIO 15005467 <GO>}

All right, and was there – the magnitude of the premium in the first quarter being a quota share, is there seasonality to this going forward or is it – should we look at the same amount of premium volume basically for the next few quarters?

A - Richard R. Whitt, III {BIO 7084125 <GO>}

Yeah. I think, now we've recognized all the written premium for the year, just to make sure you understand that. When you book those deals, you recognize all the written premium upfront, so that's done, and won't impact the next three quarters, but now what we'll see is, earnings coming through over basically the next eight quarters, because the underlying policies tend to be annual policies. So earnings will start to tick-up probably peak in the third and fourth quarter, and then come down throughout 2018 unless of course the deals are renewed.

Q - Bob Farnam {BIO 15005467 <GO>}

Right. Okay, very good. That clears up my question there. And Tom, maybe a question for you, I know you talk every once in a while about off-balance sheet unrealized gains, is that something that – how should we think about that? I know, you hold investments for long-term, so you may never actually recognize some of that stuff?

A - Thomas S. Gayner {BIO 1896932 <GO>}

Well, exactly. And really what you're talking about is the value, speaking in economic rather than accounting terms, of what Markel Ventures in worth in aggregate compared to what we paid for those businesses.

So on day one, they go on the books at what we pay for them. The equity account in the accounting sense goes up when they make money. So you see that sort of accretion in balance sheet value, dollar-for-dollar with the earnings of those businesses. What they're worth in the marketplace, I would assert (23:11) it's more than what we pay for them. And you can do your own math thinking about what the EBITDA run rates are, what EBITDA multiples are, and give some rough – just a sense of what they're worth, and do that in an ongoing basis.

To your point, we don't plan on selling them. This is the future of the Markel Corporation, along with growth in the Insurance business. And we're running these businesses with a forever mindset in the exact same way that we run the Insurance businesses, which is meant to build the long-term financial value, and I use that word exclusively.

And in fact, it was interesting, I was having the conversation with our Chairman, Alan Kirshner just yesterday. And we were talking about the Markel style, which he deserves the primary credit for having written prior to us going public in 1986. And we talked about book value a lot around here, and historically, that has been an excellent description of the economics of the Markel Corporation.

But as Markel Ventures grows, as you point out, there's stuff that's not captured well by book value calculation. And Alan with his normal Carnac-like prescience foresaw that day back in 1986 when the Markel Corporation would be broader, and have more stuff going on as time went by in order to build the financial value of this company. So I talk a lot about financial value, intrinsic value, things of that nature, of which book value and balance sheet is a part, and large part, and will continue to be so, but it's not everything.

Q - Bob Farnam {BIO 15005467 <GO>}

All right. Okay, thanks again for that.

Operator

Our next question comes from Jeff Schmitt of William Blair. Please go ahead.

Q - Jeff Schmitt {BIO 19747235 <GO>}

Good morning, everyone. Was there any catastrophe losses during the quarter?

A - Anne G. Waleski {BIO 16735457 <GO>}

Nothing.

A - Thomas S. Gayner {BIO 1896932 <GO>}

Good as we say that.

A - Anne G. Waleski {BIO 16735457 <GO>}

Well.

A - Thomas S. Gayner {BIO 1896932 <GO>}

Well – in other word catastrophe losses...

A - Anne G. Waleski {BIO 16735457 <GO>}

Yes, but nothing material.

A - Thomas S. Gayner {BIO 1896932 <GO>}

Yeah, they were really kind of our run rate attritional.

Q - Jeff Schmitt {BIO 19747235 <GO>}

Okay, got you. And then, obviously, the accident year loss ratio has moved up a fair amount sort of across the board. Could you talk a little more in detail about loss cost trends, particularly touch on the legal environment and medical cost inflation?

A - Thomas S. Gayner {BIO 1896932 <GO>}

Sure. I'll take a shot at that. Obviously, we write over 100 lines or 100 products, different products at Markel. So there's no exact description of each one of those - each one of them are moving slightly differently.

Probably some portion of what we saw in the first quarter in terms of that uptick, I think is, just things that are relevant to the quarter. And like I said on the U.S., we don't think, we'll continue for the rest of the year. Some of it, as you sort of alluded to there, we think is loss cost trend, and price decreases.

So each year, as we go into the year, as we do our budgeting, we think about what the loss cost trends are. We think about what the price movements have been, and we adjust what we think our loss pick is going to be. And there has been some increase to the loss picks as a result of that. And as you mentioned, I mean, I think, we've had a pretty benign for the number of years, so very benign sort of loss cost trend environment - we're starting to see some uptick in that.

And just as people start to talk about rates potentially moving up, and inflation maybe starting to move a little bit, you're starting to see loss cost trend, which makes sense. So it's a mixed bag, depending on which line of business of ours you're talking about. But we're seeing a little bit of trend and that's driven some of those rate increases, and we also just had some one-off things in the first quarter that drove some of that increase.

Q - Jeff Schmitt {BIO 19747235 <GO>}

Okay. And then, in workers' comp, I believe, you mentioned there was some favorable development there. Can you talk about that line specifically in terms of pricing in loss cost trends?

A - Thomas S. Gayner {BIO 1896932 <GO>}

Well, loss cost trends have been dropping in workers' comp. And so states have been adjusting their loss cost factors, which works against us in terms of the ability to grow in that business, because it reduces the base rate. Workers' comp has been - and it feels strange to say this, because it's been seldom that that's happened in that market, it's been a real bright spot.

Worker's comp has done extremely well for the last number of years. And those loss cost trends have come down. And as a result of that, we've had some really nice results. The thing we've got to all be careful of and be watching for the folks that write workers' comp is as if inflation gets moving, that drives medical costs. And if medical costs gets moving, you'll see that, will show up in workers' comp.

Q - Jeff Schmitt {BIO 19747235 <GO>}

Okay. Thank you.

Operator

Our next question comes from Mark Dwelle of RBC. Please go ahead.

Q - Mark Dwelle {BIO 4211726 <GO>}

Yeah, good morning. Just a couple of questions, the first one's kind of a numbers question. On the Ogden charge, am I right that 100% of that was taken against the Reinsurance business, there was none in the International?

A - Anne G. Waleski {BIO 16735457 <GO>}

That's correct.

Q - Mark Dwelle {BIO 4211726 <GO>}

Okay. And then the second question, I noticed in the Q, you booked a $3.9 million (29:01) deferred gain related to the asbestos contract that you did a year ago. Is there anything left in terms of deferred gain, or is that now 100% booked through and we've heard the last of it?

A - Anne G. Waleski {BIO 16735457 <GO>}

That gain was specific to closing out the exposures related to the UK business. So there was what's called a Part 7 closure. So there's no exposure left on that business. We do still have some part of the U.S. book that we ceded off. We do still have some exposure to that.

Q - Mark Dwelle {BIO 4211726 <GO>}

Are there any deferred gains associated with the – I guess, that's what I was asking, not on the loss exposure, but more on are there any other deferred gains sitting out there that...?

A - Anne G. Waleski {BIO 16735457 <GO>}

Nothing that would be material.

Q - Mark Dwelle {BIO 4211726 <GO>}

Got it. Okay. And then, Richie, maybe I'll give you the (30:04) opportunity to talk a little bit about SureTec, and what we know about that business, and timing and so forth?

A - Richard R. Whitt, III {BIO 7084125 <GO>}

Sure. We're very hopeful, we'll be closing in the next week or on SureTec. We believe we have all of our regulatory approvals at this point. So knock on wood, closed by the end of April, and we're very excited to have SureTec as part of the Markel family, brings obviously the surety product line to Markel, which we had virtually no surety business at Markel prior to the addition of SureTec.

One of the things we're very excited about SureTec is, contractors is a large part of what we do at Markel. We, in some way, shape, or form seem to do business with contractors in almost each of our businesses. And SureTec obviously brings another product that contractors need. And we're hoping to find ways to sort of cross-sell those products and meet more the needs of our contractor clients.

So obviously, it's very early days. We haven't even closed it yet, but we're very excited about what SureTec can add to Markel Corporation.

A - Thomas S. Gayner {BIO 1896932 <GO>}

I'm going to chime in a little bit, because Richie was kind enough to enlist me at the early stages of this deal, and we worked together quite cooperatively and well on it. Some of the additional factors that made this truly a win-win deal for both Markel and SureTec is that within the Markel Corporation, we'll be able to invest the assets of SureTec differently than they had been able to invest on a standalone basis, so that that adds value that otherwise they would not have been able to achieve on their own.

And similarly, this was a deal where in the hyper-competitive world that I spoke of, of deals, there are amazing and unique special situations that come up. They approached us directly, principal-to-principal and that the driver was culture. And our reputation in the marketplace and our long-term history of how the associates and the shareholders and the customers of Markel have been treated over decades.

So they came to us first, and we were able to put a deal together, and I think, that's win-win for everybody. And those are hard factors to model, but they sure do matter. And within the context of a very competitive acquisition for M&A, I make no predictions and it's hard to find deals. But I will tell you that, we work every day, and I think we work productively as stated.

Q - Mark Dwelle {BIO 4211726 <GO>}

Okay, I appreciate that. And I guess, last question I had is actually for you, Tom. With markets making their highs and changes in interest rates and so forth, I think I know the answer to this, but I just wanted to kind of hear you say it again. How are you thinking about asset allocation, and adding to the equity portfolio at this bucket stage and so forth?

A - Thomas S. Gayner {BIO 1896932 <GO>}

I'm going to repeat my refrain of, same stuff, different day. I've been in this business 30 years now and I've seen all kinds of cycles, and generally speaking, there is always something that's appropriate to do, and the great news about running an investment operation, it's married to a profitable insurance company is that, we get to dial across average (33:38) so every week the Markel insurance entities have deposited money into the account of the Markel equity investment arm, and they've never asked for a penny of it back.

So, we're able to continuously invest, and that has just proven to be a marvelous way to continue to build the financial value of the company, and there always seems to be something that's appropriate to add, and of course our turns was extraordinarily low, because what we're really underwriting is the quality and the economics of the business we're buying as opposed to trading the securities, and there are good businesses, good people out there and there's going to be pretty durable decisions.

Q - Mark Dwelle {BIO 4211726 <GO>}

Thank you for that, Tom. I finally have a hunch that was the answer, but good to hear you say it once again. Thanks very much.

A - Thomas S. Gayner {BIO 1896932 <GO>}

Thank you.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Mr. Tom Gayner for any closing remarks.

A - Thomas S. Gayner {BIO 1896932 <GO>}

Consider the call close. Thank you very much. We look forward to seeing our at our annual meeting if you can make it. Bye-bye.

Operator

The conference has now concluded. Thank you for attending today's presentation, you may now disconnect.