Q2 2020 Earnings Call

Company Participants

- Francois Morin, Executive Vice President, Chief Financial Officer and Treasurer
- Marc Grandisson, President and Chief Executive Officer

Other Participants

- Brian Meredith, Analyst
- Elyse Greenspan, Analyst
- Geoffrey Dunn, Analyst
- Jimmy Bhullar, Analyst
- Joshua Shanker, Analyst
- Meyer Shields, Analyst
- Mike Zaremski, Analyst
- Phil Stefano, Analyst
- Ryan Tunis, Analyst
- Unidentified Participant
- Yaron Kinar, Analyst

Presentation

Operator

Good day, ladies and gentlemen, and welcome to the Second Quarter 2020 Arch Capital Group Earnings Conference Call. At this time, all participants are in a listen-only mode. Later we will conduct a question-and-answer session and instructions will follow at that time. (Operator Instructions). As a reminder, this conference call is being recorded. Before the company gets started with its update, management wants to first remind everyone that certain statements in today's press release and discussed on this call may constitute forward-looking statements under the federal securities laws.

These statements are based upon management's current assessments and assumptions and are subject to a number of risks and uncertainties. Consequently, actual results may differ materially from those expressed or implied. For more information on the risks and other factors that may affect future performance, investors should review periodic reports that are filed by the company with the SEC from time to time.

Additionally, certain statements contained in the call that are not based on historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The company intends the forward-looking statements in the call to be subject to the Safe Harbor created thereby. Management also will make reference to some non-GAAP measures of financial performance.

The reconciliation to GAAP and definition of operating income can be found in the company's current report on Form 8-K furnished to the SEC yesterday, which contains the company's earnings press release and is available on the company's website. I would now like to introduce your host for today's conference, Mr. Marc Grandisson and Mr. Francois Morin. Sirs, you may begin.

Marc Grandisson {BIO 4369887 <GO>}

Thanks, Liz. Good morning and welcome to our second quarter earnings call. On a reported basis, Arch had an acceptable quarter despite COVID-19 related economic disruptions. Our operating results were good from the underlying accident year ex-cat combined ratio perspective as each segment that benefited from the recent rate improvements.

All three segments are poised to see the opportunities to grow based on the underwriting returns outlook. Consequently, this quarter rate improvements continue to enable us to expand our writings in our property casualty units, as we increasingly achieve acceptable risk-adjusted returns. We know from experience that this environment is an appropriate time to raise additional capital, so that we can more significantly take advantage of this hardening P&C market. As we have discussed in previous earnings calls, we continuously rank order our capital allocation opportunities among and within the units and today P&C insurance and reinsurance prospects have moved up the scale, even MI returns improved at the same time. To be sure, we are experiencing unprecedented times across our world and the insurance industry. There is still much uncertainty from the pandemic and its ultimate impact. The P&C industry faces emerging claims trends, the possibility of long lasting lower investment returns and a strain from on model cat losses and chronic on the pricing from the soft market years. This new reality points to the need for further premium rate increases for the foreseeable future. While not all lines are fully attractive on an absolute basis, the positive momentum is evident and has accelerated through the second quarter.

Turning to our operating segments. I'd like to begin with the mortgage insurance segment. Reported delinquencies for 5.1% at June 30th, 2020 and came in better than our expectation last quarter, which was at the early onset of the COVID-19 pandemic. As you may recall from our call last quarter, given the uncertainty surrounding COVID- 19, we were forecasting more pressure on the housing market in a more pessimistic view of the economy that is indicated by the latest delinquency data.

As we stand today, we believe that the US, MI industry has been benefiting from a combination of solid credit quality of the post 2008 crisis originations to favorable supply-demand imbalance in housing inventory as well as three strong and swift government interventions to help homeowners. As a result, we are seeing better than expected delinquency rates, emerging this quarter even as rates are at elevated levels, reflecting the recessionary environment.

Our current incurred loss view equates to a claim rate slightly above 5% on newly reported delinquencies, while this claim rate is significantly higher than what we have seen from claim rates on the previous Hurricane forbearance programs, it is also significantly lower than what the industry experienced in a GFC and reflects the better underlying condition I mentioned earlier. Because of the current economic conditions, the credit quality of our new insurance written business as measured by average FICO scores and loan to value is stronger than a year ago. Mortgage lenders have tightened underwriting standards and a higher quality of loans originated is a direct benefit to us.

We saw record mortgage originations fueled by the historically low mortgage rate and that has created surges in both refinancing and purchase activity. This favorable financing environment is supporting home prices. We see prices rising around 5% on an annual basis across the US.

Despite the weakened economy, we estimate that the mark-to-market home owners equity in the vast majority of our policies is in excess of 10%. The level of equity, as a reminder, has proven to be a strong indicator of a borrower's propensity to default, i.e., the higher the equity, the less likely a default will happen in turning to a claim.

Turning now to our P&C businesses. First let's talk about COVID-19, which is affecting many lines at the same time and developing much more slowly than and a natural catastrophe. Adding to the uncertainty is the fact that many coverage issues have yet to be resolved. All of this informed how we approached our reserving for COVID -19 within our P&C segments, based on the bottom-up approach to develop our view of ultimate losses. Francois will cover this in more detail in a few minutes.

Moving on to the P&C business environment, starting with the insurance. We see a growing number of opportunities as net premium written grew 7% in the quarter for the unit, despite the fact that our travel premiums decreased materially due to the pandemic, excluding travel, our Insurance and PW growth would have been approximately 17%.

Most of our growth was generated in the E&S casualty, E&S property, professional lines, and the specialty lines written out of London. About two-thirds of that increase came from exposure growth and the balance from rate. Our overall insurance renewal rate change was plus 8.5%, up significantly from plus 5.5% in the first quarter. Earned premium that we wrote at higher rate levels over the last several quarters helped lower our quarterly accident year combined ratio ex-cat to 96.1% from 99.4% for the same quarter in 2019.

In summary, our Insurance Group's main mission right now is to grow in those lines, where conditions improve enough to allow for an appropriate risk adjusted return and the market is allowing this ever more.

Over to the reinsurance segment now. We had very strong premiums growth at plus 50%, reflecting ongoing dislocations and improvements in the marketplace. Growth opportunities presented themselves across the vast majority of our business lines. Property cat and PW was up 153%, while the properties was up 70% and casualty was up

35%. Partially offsetting this growth were declines in more quarter share of net premium written due to the impacts of COVID-19 exposure decreases.

Generally, our reinsurance segment is able to seize on opportunities earlier than our insurance segment. We are also incrementally increasing our capital allocation to our property cat sector. However, our PML usage is still substantially below what we could deploy, if return expectations were to get to the levels we saw in 2006.

Our reinsurance accident quarter combined ratio ex-cat improved to 87.5% from 92.2% over the same period in 2019. This partly reflects our opportunistic underwriting strategy and capital allocation over the last two years, but also is a reflection of the benign attritional loss experience relative to the prior year's quarter.

To summarize for our P&C operations, after several years of cycle managing our portfolio, we are well positioned to deploy more capital at attractive returns. As we expect our investment returns, our outlook remains cautious as we believe the economic recovery could be slow and take several quarters to develop, accordingly underwriting performance should be the driver of earnings for the industry in the near term, which we believe should help to sustain the momentum of increasing premium rates. From a capital standpoint, we are in a strong position and we have room to grow with our clients after many years of playing defense. In other words, our core principle again of active cycle management exercised by our team has positioned to us to move much more aggressively into a growing number of improving lines.

Last but not least, we want our shareholders to know that our employees' hard work in our clients' strong relationships over the last three months were critical in getting us through these tough times. And for that, a huge thanks to all of them.

With that, Francois will take you through the financials.

Francois Morin {BIO 17410715 <GO>}

Thank you, Marc, and good morning to all. We at Arch hope that you are in good health. On to the second quarter results. As a reminder, and consistent with prior practice, the following comments are on a core basis, which corresponds to Arch's financial results excluding the other segment, i.e., the operations of Watford Holdings Limited. In our filings, the term consolidated includes Watford. After-tax operating income for the quarter was $16.6 million, which translates to an annualized 0.6% operating return on average common equity and $0.04 per share. Book value per share increased to $27.62 at June 30th, up 5.8% from last quarter and 12.1% from one year ago.

The increase in the quarter was fueled by the strong recovery in the capital markets. Outside of the losses related to the COVID-19 pandemic, our underwriting groups continued on their path of solid growth and improving results as we benefited from the generally improving property casualty markets. Losses from 2020 catastrophic events in the quarter, including COVID-19, net of reinsurance recoverables and reinstatement premiums stood at $207.2 million or 13.5 combined ratio points compared to 0.5 combined ratio points in the second quarter of 2019.

The losses impacted both our Insurance and reinsurance segments and include $173.1 million from the COVID -19 pandemic as well as $34.1 million for other catastrophic events including losses related to civil unrest claims across the US. The losses we recorded in the quarter for COVID-19 across our P&C operations were split 45% insurance and 55% reinsurance. These loss estimates incorporate additional information that became available during the quarter and represent our current assessment and best estimate of the ultimate losses for occurrences through June 30, based on policy terms and conditions including limits, sub-limits, and deductibles.

We are confident that the approach we took to develop these estimates is conservative and are comfortable with our estimates, as they currently stand, but needless to say, we continue to monitor -- monitor the pandemic and its effects as they play out and we will adjust our estimates as necessary in the coming quarters. As of June 30th, the vast majority of our COVID-19 claims are yet to be settled or paid, as approximately 90% of the incurred loss amount has been recorded as IBNR, incurred but not reported reserves or as additional case reserves within our insurance and reinsurance segments.

In the insurance segment, the loss reserves we recorded this quarter for the pandemic were primarily attributable to exposures in our North American unit across the national accounts programs and travel lines of business. In the reinsurance segment, the majority of the losses came from the property catastrophe accident and health and trade credit lines of business. As regards the potential impact of COVID-19 on our mortgage segment, it is important to mention that our estimates for our US primary mortgage insurance book are based only on reported delinquencies, as of June 30, 2020, as mandated by GAAP.

As we discussed on the last call, our expectation at the end of the first quarter was for the delinquency rate to progressively increase throughout the remainder of the year with a resulting expectation that underwriting income for the overall segment would be minimal for the remainder of 2020. While we did see such an increase and reported delinquencies in the second quarter, the current delinquency rate of 5.14% is approximately 30% to 40% lower than what we expected it would be when we developed our forecast at the end of the first quarter. While that is a positive sign for the ultimate performance of the book, we are also aware that many uncertainties remain including the rate of conversion from delinquency to cure or claim, which we expect to be different than under more normal conditions.

In addition, it is extremely difficult to predict how reported delinquencies and forbearance, which represent approximately two-thirds of total current delinquencies will behave over time, given the lack of historical data that is directly applicable to the current economic reality, which includes elevated unemployment rates, historically low interest rates, solid home price levels, and unprecedented government intervention.

As we look towards the remainder of 2020 for our US, MI business in light of the developments we have observed during the second quarter, our current expectation is that pre-tax underwriting income for the remainder of 2020 for the entire mortgage segment will remain positive with a combined ratio in the 70% to 80% range, slightly better than the result we reported this quarter.

In summary, while we are still faced with significant economic uncertainty, our expectations for the mortgage segment are definitely more positive than what we thought only a few weeks back. In the insurance segment, net written premium grew 7.1% over the same quarter one year ago, a strong result given the material impact COVID-19 has had on some of our businesses, such as our travel and accident unit. As Mark said, if we exclude this line, the year-over-year growth in net written premium would have been 16.9%. The insurance segment's accident quarter combined ratio, excluding cats was 96.1% lower by 330 basis points from the same period one year ago.

Approximately 90 basis points of the difference is due to our lower expense ratio, primarily from the growth in the premium base from one year ago and reduced levels of travel and entertainment expenses this quarter. The lower ex-cat accident quarter loss ratio primarily reflects the benefits of rate increases achieved over the last 12 months.

Prior period net loss reserve development, net of related adjustments was favorable at $2.1 million, generally consistent with the level recorded in the second quarter of 2019. As for our reinsurance operations, we had strong growth of 50.3% in net written premiums on a year-over-year basis, which was observed across most of our lines and includes a combination of new business opportunities, rate increases, and the integration of the Barbican reinsurance business.

The segment's accident quarter combined ratio, excluding cats stood at 87.5%, compared to 92.2% on the same basis one year ago, a 470 basis point reduction. The year-over-year movement is primarily driven by a more normal level of large attritional losses compared to a year ago, which explains approximately 330 basis points of the difference, and the impact of the non-renewal of a large transaction from a year ago, which contributed approximately 50 basis points.

Most of the remaining difference is explained by operating expense ratio improvements resulting from the growth in earned premium. Favorable prior period net loss reserve development net of related adjustments was strong at $28.9 million or 6 combined ratio points compared to 3.1 combined ratio points in the second quarter of 2019.

The benefit was mostly in short-tail lines. The mortgage segment's combined ratio was 80.9% reflecting the increased level of reported delinquencies in the quarter, as mentioned earlier. The loss ratio on the quarter is based on an assumed claim rate on newly reported delinquencies for our US, MI book of slightly above 5% combined with an average expected future claim value or severity. That is approximately 50% higher than claims that we settled and paid in the quarter. This difference is explained by the fact that the distribution of the newly reported delinquencies carry a higher average outstanding loan balance as a higher proportion is for mortgages from the more recent origination years and from states that have higher loan values such as California, Florida, and New York.

The expense ratio was lower by 100 basis points over the same quarter one year ago, reflecting lower operating costs, including reduced levels of travel and entertainment expenses. Prior period net loss reserve development was minimal this quarter at $0.2 million favorable. Total investment return for the quarter was positive 372 basis points on a US dollar basis, as the strong recovery in the capital markets produced healthy returns across our entire portfolio. The duration of our investment portfolio remained basically unchanged from the prior quarter at 3.18 years.

The effective tax rate on pretax operating income, resulted in a benefit of 0.9% in the quarter, reflecting a change in the full year estimated tax rate, the geographic mix of our pre-tax income, and 110 basis point expense from discrete tax items in the quarter. As always, the effective tax rate could vary depending on the level and location of income or loss and varying tax rates in each jurisdiction. We currently estimate the full year tax rate to be in the 9% to 12% range for 2020.

Turning briefly to risk management. Our natural cat PML on a net basis, increased to $832 million as of July 1, which at approximately 8% of tangible common equity remains well below our internal limits at the single event 1 in 250-year return level. The growth in the PML this quarter is attributable to both E&S property within our insurance segment and property lines within the reinsurance segment, reflecting our ability to deploy more capacity to opportunities that safely exceeded our return thresholds, some of which were slightly tempered by additional reinsurance purchases. As you know, we issued $1 billion of 30-year senior notes at the end of the second quarter, enhancing our capital base and furthering our objective of maintaining a strong and liquid balance sheet.

Our debt plus preferred leverage ratio of 23.8% remains within a reasonable range. As discussed on the prior call, we paused our share repurchase activity since the start of the pandemic and we do not expect to repurchase shares for the remainder of 2020. At US MI, our capital position remains strong with our PMIERs sufficiency ratio at 161% at the end of June, which reflects the coverage afforded by a Bellemeade mortgage insurance link notes.

In late June, we were able to obtain $528 million of coverage on our in-force book for the second half of 2019. Our ability to execute this transaction highlights the credit quality of our in-force book and the further protects our balance sheet, should an extreme tail event materialize. The Bellemeade structures provide approximately $3.1 billion of aggregate reinsurance coverage at June 30, 2020.

With these introductory comments, we are now prepared to take your questions.

Questions And Answers

Operator

Thank you. (Operator Instructions) Our first question comes from Elyse Greenspan with Wells Fargo.

Q - Elyse Greenspan {BIO 17263315 <GO>}

Hi, thanks, good morning. My first question on the property casualty side, you guys seem pretty optimistic and saw, started to see -- saw continuation of pretty good growth in the quarter and so if you guys don't disclose on the capital supporting on your property casualty versus the mortgage business, but if we're sitting outside the company, and we just want to get a sense of the opportunity at hand and the capital that you have, given the recent, that rate could you potentially if there really is a strong market, double the size of your insurance book of business on your current capital base.

A - Marc Grandisson {BIO 4369887 <GO>}

I think it's a fair assessment. I think in general, you could think of capital allocation on premiums from the P&C as a one-to-one that sort of gives you a range for capital usage. But certainly the ability is there I would say that this is also informed by how you develop a dry lease if you property cat is a different in capital -- capital requirements and then other lines of business such as quota share or let's say, on the reinsurance side on liability. So there is a lot -- there's plenty of room for us to grow.

Q - Elyse Greenspan {BIO 17263315 <GO>}

Great. And then on the mortgage side of things, you guys see some pretty helpful color that the current delinquency rate is about 30% to 40% lower than where you thought it would have been. So as you set the new guide for the outlook for the underwriting -- positive underwriting mortgage income for the rest of the year and that 70% to 80% combined ratio, can you give us a sense of where you expect delinquency rates to trend in the third and the fourth quarter.

A - Francois Morin {BIO 17410715 <GO>}

Well, we don't really -- we had -- the quarterly movements are a bit harder to predict, but I mean we had forecasted last quarter, somewhere around a 10% or so delinquency rate by the end of the year. We think -- right now, we're thinking it will be more like around 8%. So obviously, we're monitoring weekly and we get data that comes in from all our services, etc. But that's kind of where we're at, there is about 8% delinquency rate by the end of the year.

A - Marc Grandisson {BIO 4369887 <GO>}

Yeah. I think to add to this Elyse, I would -- to add to this Elyse, I would say that this is, it's one-quarter data point, so it will take us -- we still take a longer-term view and fully all reflecting in order, the decrease or the lesser delinquency that we had, right before what we expected, while you got you got 30 to 40 and then as Francois told 20% decrease, I still use sort of a level, so we're thoughtful and measured in the way we want to recognize any immediate improvement.

Q - Elyse Greenspan {BIO 17263315 <GO>}

That's helpful. And then my last question, you guys had pointed to the severity per claim. I believe you said was about 50% higher than from the claims are settled in the quarter, just given on the higher housing values, I believe. If I look in your supplement on the mortgage page, the average case reserve per default went down to [ph]6.9000 in the quarter and it had been 40.4, why would that number have gone down, if you're actually setting up more for the current plan. I'm just trying to reconcile those numbers.

A - Francois Morin {BIO 17410715 <GO>}

Yeah. The average is very much a function of the percentage of the delinquencies that are effectively in early stages of delinquency. So if you think of all these newly reported delinquencies in the quarter, they carry again effectively a 5% or so claim rate versus the older stage delinquencies and the percentages go up as the more mature, the later stage of mature delinquencies we have. So it's really, there is no changes in assumptions, I'd say it's really just the way the mix of the portfolio or the mix of the delinquencies that we currently have changes over time. And this was really as you know, the first quarter where we had a large surge of the delinquencies coming from the pandemic.

Q - Elyse Greenspan {BIO 17263315 <GO>}

Okay. Thanks. I appreciate all the color.

A - Marc Grandisson {BIO 4369887 <GO>}

You're welcome.

Operator

Our next question comes from Mike Zaremski with Credit Suisse.

Q - Mike Zaremski {BIO 20606248 <GO>}

Hey, good morning. I guess, sticking with MI. So clearly, there feels like there is some conservatism kind of built in it, you expect the delinquency rate to continue moving north, is the -- is the government stimulus kind of a big X- factor in terms of like how the $600 weekly unemployment insurance subsidy whether that continues are not, just trying to think about or I mean, we can just -- should we just broadly be looking at unemployment levels as well. Just trying to think about how to gauge because clearly results have been good so far, much better than expected, which is great.

A - Marc Grandisson {BIO 4369887 <GO>}

So, Mike, I think the easy question is unemployment matters, it is a contributing factor that would precipitate if you will, it delinquency and in claims ultimately, the number one, the leading indicator, as I said in my notes that will tell you whether it is no a heightened increased risk of delinquencies is really the house price index. So the extent that the house prices are stable, it'll keep on going up or that there is, which is another way to say as long as there is reasonable amount of equity in the house, we have some of the borrowers do not tend to walk away from their obligation the mortgages, I know. So if you -- if you saw the great financial crisis. What happened is we had a combination of house price decrease and unemployment, so we sort of contributed to the acceleration and more of an acute delinquency rate that we saw in the great financial crisis, which we are not seeing right now.

So what we are focusing are, of course, we look at what the government is doing, that's going to be helpful and I think we'll see more of this impact at the end of the forbearance period, but for now the house price index is extremely encouraging to us and really is a leading indicator on the propensity for homeowners to default.

Q - Mike Zaremski {BIO 20606248 <GO>}

Okay. That makes sense and that's helpful. Then in terms of, get a number of questions about the court cases in the United Kingdom. The FCAs kind of been writing about, about that -- is that contemplated in your COVID IBNR, whether those court cases go for or against the industry.

A - Marc Grandisson {BIO 4369887 <GO>}

Yeah. We've taken a conservative approach and we actually had reserved for it as the end of March. So we have reserve for it appropriately with a fairly -- a good level of reinsurance against it. So we're pretty much reserved there. If -- we can -- hopefully, it could be good news going forward for us there.

Q - Mike Zaremski {BIO 20606248 <GO>}

Okay. And just lastly, quickly, I'm sure all the people will ask about kind of the segments. Any thoughts on new capital entering the broader insurance and reinsurance marketplaces, do you feel that capital will continue to or is it having an impact on your ability to play offense at this point or is it still just a drop in the bucket, any color would be helpful. Thanks.

A - Marc Grandisson {BIO 4369887 <GO>}

So Mike, it's a little bit of everything you mentioned, I would say that the capital needs that are out there that we see in terms of clients and trying to find solutions and towers of coverage is needing a place, a new place, a new home, we would need a significant amount of capital to neutralize that impact if you will.

So we're seeing actually acceleration, even though there are -- there is more capital being raised and new entrants as we speak, thinking about coming in. We are not seeing any being of the rate pressure that we see right now and I think the demand for capital are pretty, pretty high. There is a couple of large players that were really providing a lot of capacity, acute capacity in very, very high capacity mongers in the industry, pulled out significantly. So that means that there is a lot of -- lot of other capital that needs to find its way around to support it. So I would say that we are not seeing, we hear what's out there, what's happening, we're encouraged by, we raise some more capital and other folks such as ourselves and we have access to the business, access to the clients and relationships, we are able to raise capital and it bodes well for the health of those companies, but any new entrants, you know it will take them a while to get ramped up and nothing is impossible, I think is totally doable, but it's certainly not something that we are losing sleep over.

Q - Mike Zaremski {BIO 20606248 <GO>}

Thank you.

Operator

Our next question comes from Yaron Kinar with Goldman Sachs.

Q - Yaron Kinar {BIO 17146197 <GO>}

Hi. Good morning everybody. First question -- first question on MI and then a couple on the COVID losses. So at MI, I haven't really seen any significant pullback from that market. So I guess should I take that to mean that even with all the COVID economic uncertainty, you still view it as a pretty attractive business?

A - Marc Grandisson {BIO 4369887 <GO>}

Yeah. It is still very attractive. I would even argue Yaron that the production in the second quarter and as we speak, is actually better than it was six months or a year ago. We are well known -- there's been rate pressures and offer quality of underwriting, quality of the originations, is a lot better than it was even a year ago.

So, yes, there is a lot more activity and the activity Yaron to be fair, is also driven by the refinancing market right, which was not there and by dropping the mortgage rate below 3% that does create more business back into the market. As a result of that, there is a lot of prepay, right there is a higher level of -- the lower level of persistency, which means that there is more churn, if you will, in the portfolio of business.

So I think it's just a reflection of people coming out of their, their current, they're coming out of their higher mortgage rate and it's just refinancing the other low level, which totally makes economic sense that we are on the receiving end to grow. That's why we have such we believe in a much higher NIW than otherwise would have been in the more stable marketplace.

Q - Yaron Kinar {BIO 17146197 <GO>}

Got it. That's helpful. And then with regards to the COVID losses, maybe a couple of questions there. One, when you talk about IBNR, do you include only events or losses from events that have already occurred or do you also include events in the future that are probable -- very probable to occur.

A - Marc Grandisson {BIO 4369887 <GO>}

Well, I mean that's a -- I mean, good question, which as you know people are I think companies are maybe answering that, I don't say differently, but I think the word we have to be careful with how we use the words. Right. So I'd say no question that we can only reserve for incidents or occurrences that have happened before June 30th.

I mean that's under GAAP and anybody that tells you they're reserving for occurrences that are going to happen in the third or fourth quarter, I just don't know how you can do that. What we have done is set, again a high level, I think a prudent level of IBNR on both insurance and reinsurance on things that we know happened or think have happened, right.

I mean the whole concept of IBNR, so we have certain claims that have been reported. We don't know and certainly, when you get into structures or when you're in a nexus position, you are somewhat making a judgment on whether that the claim will attach in your layer, etc., and that's where that there is a bit more -- there's a bit of art that goes on and not necessarily tons of data science around it. So I think the answer to us is we reserve for everything through June 30 and what we would say has had ultimate right, so the truly our best estimate of what we think the exposure is and that's where we are. I mean we can't really do more than that at this point, given the accounting rules and guidelines.

Q - Yaron Kinar {BIO 17146197 <GO>}

Got it. And then final question, also with regards to COVID, between first quarter and second quarter, the increase in loss and COVID losses, is some of that coming from IBNRs that you had already set up in 1Q, but then took a second look and realize they need to be higher or is that from really new lines of business and -- newer areas that had not been not previously reserved for.

A - Marc Grandisson {BIO 4369887 <GO>}

Well, I think a bit of both, I mean I would say on the insurance side for example like Q1, we had reserved primarily in said IBNR, primarily in our international book because again back to that in the UK in particular property book or regional property book there we were of the opinion that there was exposure there and we took action and we booked IBNR on that. I'd say in the second quarter, for example, we booked and I mentioned it on national accounts, that's where we have Workers' Comp exposure. Again, if you want to be very technical, at one point, I mean the -- the occurrences hadn't happen at the end of March, they started to take place especially with healthcare workers as an example, in April and May. So, that's when we -- that's what we reserved for in the second quarter.

I'd say on the reinsurance side, it's a bit -- it's a bit murkier, it's not -- we're somewhat at the mercy or have to have discussions with our teams and on the property cat book, for example, we had booked a little bit of IBNR at the end of Q1, but through additional discussions and investigations and file reviews in the second quarter, we booked a bit more on that front and the same is true in trade credit. So hopefully that answers it, but it's a bit of both, I'd say.

Q - Yaron Kinar {BIO 17146197 <GO>}

That is helpful. Maybe one other one if I could sneak it in. On the BI front in reinsurance, the increases in COVID loss that you're reserving for today, are those coming more from international accounts or more from the US.

A - Marc Grandisson {BIO 4369887 <GO>}

Correct. More international. Absolutely. As you know, we have exposure, I mean in all continental, Europe in particular there is France, there are certain countries where the BI coverage is more implicit and provided by the primary policies, so those are some of the examples that we are policies that we are treaty that we're reserving for at this point.

Q - Yaron Kinar {BIO 17146197 <GO>}

Thank you very much.

Operator

Our next question comes from Joshua Shanker with Bank of America.

Q - Joshua Shanker {BIO 5292022 <GO>}

Can we talk a little bit about July and how it compares noticing for mortgage defaults?

A - Marc Grandisson {BIO 4369887 <GO>}

Could you repeat the question please, Josh.

Q - Joshua Shanker {BIO 5292022 <GO>}

Yeah. Can we talk about compare May, June, July of you receiving notices for forbearance and defaults.

A - Marc Grandisson {BIO 4369887 <GO>}

Yeah. I think no we've -- I think the one place -- the thing that we could say, I mean it's the data is probably lagging a little bit from our perspective, but the good want to look at is the, the information Black Knight, I think and the NBA's providing information as to what is their estimates surveying the market and their clients as to who and what's the forbearance percentage, I think it was pretty much plateauing as we got into -- towards the end of May, into June and through the second -- first or second week of July and it's gotten down since then. So we are about 6.1% based on that metric in percent of forbearance from the GSE portfolio from the industry data and now it's at 5.49% as of July 13th, I believe this last week.

So we've seen a decrease right now Josh, whether it continues that way or goes back up again. As you know, a lot of people pay on the first of the month, then we'll probably have more information and the clear picture as to what August -- July looks like in the middle of August.

Q - Joshua Shanker {BIO 5292022 <GO>}

Okay. Thank you. And do you have any evidence one way or the other RateStar has had any discernible difference in claim behavior -- I should say claim noticing behavior compared to how a larger competitors approaching this prior to your -- to adopting your methods.

A - Marc Grandisson {BIO 4369887 <GO>}

Yeah. I think -- I think it does. It has had an impact, I think when we talk about cycle management, we also were doing it possibly a little bit more under the radar screen in the MI. I think that our RateStar approach with all the parameters actually took us away from from a higher than 95 LTV, higher DTIs in certain geographical areas, so yes, we do believe if we adjust for all the variation, I mean it's not a huge differential, but there is a slight -- a slight improvement or a slight difference going to our advantage in terms of our delinquencies, based on our portfolio and the risk that we underwrote for the last 4-5 years.

Q - Joshua Shanker {BIO 5292022 <GO>}

All right. And then my last one, I think you the change in PML, I was thinking you mentioned the RDS change or maybe I missed it, where is RDS as a percent of your equity as of the end of the quarter.

A - Marc Grandisson {BIO 4369887 <GO>}

Still wide at 8%, pretty flat. We've been -- couple of movement across the kind of contributions, but yeah 8% of tangible book.

Q - Joshua Shanker {BIO 5292022 <GO>}

Thank you for all the answers.

A - Marc Grandisson {BIO 4369887 <GO>}

You're welcome.

A - Francois Morin {BIO 17410715 <GO>}

Thanks, Josh.

Operator

Our next question comes from Ryan Tunis with Autonomous Research.

Q - Ryan Tunis {BIO 16502263 <GO>}

Hey, thanks, I appreciate the MI guidance, I realize all of this is like literally impossible to nail down, but I'll go ahead and I'll push on it a little bit more because it is interesting. So when you think about the full-year delinquency rate, in your mind, what are you thinking the percentage of forbearance is there going to be or I think you said more than 8%, how much of that is forbearance versus what you think of is like a real delinquency.

A - Marc Grandisson {BIO 4369887 <GO>}

While the forbearance, that we will declare -- that we will report -- that we are reporting to you our delinquencies by definition, right. So it's very hard to see, I know what you are asking and I think the one thing that we will tell you about projecting forbearance rates and delinquency rates in this forbearance world is that data is very hard to get and it's lagging a fair amount, so very difficult for us to tell you.

Q - Ryan Tunis {BIO 16502263 <GO>}

And I guess my follow up to is how you planning on treating these delinquencies as they age, like you are obviously using a pretty conservative incidents rate of 5% and as those move into the -- as those age to six months or whatever, like are you going to keep it at 5% or are you going to, you're going to assume something bigger than that.

A - Marc Grandisson {BIO 4369887 <GO>}

I think there are two moving parts of that 5%, Ryan, one is the -- it comes up really as our pre-COVID NODs to ultimate, which was 7.9 and we gave a discount about 33% haircut by virtue of being a forbearance, so as we move forward, that 7.9% which is a claim that's age three months versus the claim that's age two years or nine months, even though it's a forbearance, we might have to increase those rates, but at the same time if the forbearance programs are getting better, we might -- we might give a bit more discount or less discounts. So it's a really, really -- and you're right, you just pointed at the beginning of your comment, I think I should've probably let you answer your own question, which is -- it's pretty much impossible to answer at this point in time. But right and the fourth -- and we have -- all we have is a 7.9 pre-COVID ultimate NOD that we sort of starting point, getting some discount recognizing that the regular forbearance program on the Hurricanes, which it is not right now, it's as low as 2%.

So we're trying to find our way around that environment, also recognizing that the delinquencies out of this crisis, this COVID-19 will be longer to resolve, because the forbearance program as we all know will last for 12 months. So it's going to be, it's going to take us a while to really understand the underlying fundamental characteristics of those risks and to add all this to all of this, if that wasn't enough, we'll have remediation programs put in place of the GSEs, which presumably should help with tremendous amount, but again it remains very early to say.

Q - Ryan Tunis {BIO 16502263 <GO>}

Understood. And then lastly, Morin, this is purely hypothetical, but if you're at a $1 of capital for the next year or two or three years and you can only allocated to reinsurance or primary insurance, is there a clear preference for which one you'd allocate it to?

A - Francois Morin {BIO 17410715 <GO>}

How many years?

Q - Ryan Tunis {BIO 16502263 <GO>}

Two years.

A - Francois Morin {BIO 17410715 <GO>}

Man, say it to me, you're asking me to choose among my kids, you know, I got three kids that I love dearly. I would split it in three, three ways or which we -- I would like to know, I mean to me -- to me, it all or nothing, but I do believe right now at this point in time, which is I think what you're getting into which I mentioned in my comments, the returns on the reinsurance are quicker to a high level, the quicker, but in terms of value creation over a longest time, insurance will get there and get traction, it just takes a longer time to accumulate business at a higher level.

So, but the problem with the reinsurance, it's great for couple of years, but then you might lose that business, so it's not -- it's not an all or nothing kind of situation, I wouldn't want to go that's the all in reinsurance, even though they have higher ROEs sooner at the cost of losing long-term value creation from the insurance unit.

Q - Ryan Tunis {BIO 16502263 <GO>}

Thanks for the thoughts. Appreciate it.

A - Francois Morin {BIO 17410715 <GO>}

Good.

Operator

Our next question comes from Meyer Shields with KBW.

Q - Meyer Shields {BIO 4281064 <GO>}

Thank you. I wanted to follow up on that question. But in a different direction, you talked about reinsurance maybe recovering faster than insurance, how is the current harding cycle playing out in terms of speed relative to past cycles, is there any observable difference?

A - Francois Morin {BIO 17410715 <GO>}

Not really. I would say that -- we might -- when we had that discussion before, a hard market never happens overnight, it takes five signal, two-three quarters losses have to develop, management team have to figure out what they want to do and put pressure on their underwriting team, so it's no, it's not -- it's not unlike others there that we've seen before. I would say that we were going to a strengthening of the market conditions, even before COVID-19. I think the COVID is probably accelerating the reaction and the willingness and the bullness that we see in the underwriting teams around the industry, but there are still pockets Meyer, where people seem to be a little bit aloof in what's going around and these are the areas we're not, we're not growing as much as we should, but I know every cycle turn is different, but I'm not seeing significant difference. It does take up and one thing I will tell you, the one thing about this one is that that we have yet to see is the one-one renewal and reinsurance is a really important renewal date. So we'll have a lot more sense as to how quickly and how reactive the market will be as we head into this one.

Q - Meyer Shields {BIO 4281064 <GO>}

Okay. No, that's very helpful. Thank you. In the past, we've been, I guess, targeting improvements within insurance that would get to 95% combined, and when we look through the lens of current pricing, Is there an update in terms of what that 95 can become?

A - Francois Morin {BIO 17410715 <GO>}

I hope it's lower, but all kidding aside, Meyer, I think that the the 95 was put in place as an aspirational number two, three years ago now, two years ago now in an interest environment that was different. So I think right now what we're pricing it through, this was sort of an aspirational as a guiding sort of the target for Insurance Group.

I think right now, what we're seeing is we're going through every different lines of business and business units and attributing capital and return on investment and we're pitching everything to get to the right level. So 95 is an over-simplistic way of looking at this, but all things being equal, I think I would expect it to be lower right for the industry and that's also why you'll probably see a bit more pressure on the pricing around us in the industry.

Q - Meyer Shields {BIO 4281064 <GO>}

Okay. Perfect. And then final question, if I can, just in terms of whether you had to taking into account, whether it's COVID or something like that that's so remote or other pressures whether you've dialed up your overall loss trend numbers in insurance or re-insurance.

A - Marc Grandisson {BIO 4369887 <GO>}

Not in a meaningful way, I think, I mean, we've been pretty cautious and I think I've been -- I'd say realistic about what the loss trends have been and what we expect them to be going forward. As you know, we haven't relied exclusively on kind of the last 5 or 10 years of data, we superimposed our own views on what a more normalized view of loss trends is or should be and I think we're still very comfortable with where we were at and recognizing that yes COVID, it is a bit of an outlier, but at this point, haven't really factored in any material changes in our loss trends in how we price the business.

Q - Meyer Shields {BIO 4281064 <GO>}

Okay. Fantastic. Thank you so much.

Operator

So you our next question comes from Brian Meredith, UBS.

Q - Brian Meredith {BIO 3108204 <GO>}

Yes. Thanks. A couple here for you. First one, I don't think you mentioned it, but was there any benefit at all in the quarter from just lower frequency of economic activity kind of from a claims perspective in any lines of business?

A - Marc Grandisson {BIO 4369887 <GO>}

I mean there are some indications that in some places, yes, there is lower economic activity, which will translate to lower losses or claims, really haven't reflected that yet. I mean we want to take a cautious approach on that. So I'd like to think that maybe there are some to come down the road, but for now we haven't factored that anywhere in our numbers.

Q - Brian Meredith {BIO 3108204 <GO>}

Great. And then second question, just curious, Marc. As you look at I guess the Heals Act here, there is a component into it of kind of a liability call an indemnification as you think about it, if that doesn't go through, is that a potential issue here for you in the insurance industry and how do you kind of think about it from an underwriting perspective, you're going forward.

A - Marc Grandisson {BIO 4369887 <GO>}

I missed the word you said, Brian, could you repeat the early part of the question.

Q - Brian Meredith {BIO 3108204 <GO>}

Well, it's basically got curious about protection or what you think about as far as the economy reopening here and potential liability associated with kind of COVID- 19, the current, I think it's called the Heals Act or the CARE 2 Act, it's got some language in there trying to grant businesses in the community for it, right. Just curious of your thoughts around that -- for insurance.

A - Marc Grandisson {BIO 4369887 <GO>}

Well, it's not -- it's just going to allocate more liability to us or presumption to us is not good, but I think listen, these laws are always, there is always things that are happening. We're going to have to react to what we see when we see it. That's all I can tell you, Brian, it's very hard to to sit here and go through what impact it is, if we were to react and then go to full drill about everything that goes in, a bill that's proposed, it would take a lot of our time, so we'll react to that when we react to it. Right.

Q - Brian Meredith {BIO 3108204 <GO>}

And Marc, I think you got it wrong. I think mistake my question, my question more is from your insurance policies perspective, as you look going forward -- as the economy reopens up, there's clearly EPLI exposures, GL exposures, all sorts of exposures to potentially present themselves of benefit, how do you -- how are you thinking about that from an underwriting perspective?

A - Marc Grandisson {BIO 4369887 <GO>}

Well, we have written policies that have EPLI exposure, we have GL exposures, but we are not a large risk writer. We don't write the large insured, so we would have certainly something that would be helpful to us, we would -- we would argue that a lot of the larger claims, a lot of -- a lot of the focus from the lawyers plaintiff bar would be focused on the larger deeper pocket insurance. That's one thing we have for us. We also have a fairly amount -- good healthy amount of reinsurance, so we're not overly concerned with the sideways haven't changed. Yeah.

Q - Brian Meredith {BIO 3108204 <GO>}

Got you. Okay. And then another just quick one here, your travel insurance, I'm just curious how big of a book is that and obviously we're probably going to see some continued pressures there for the rest of the year.

A - Marc Grandisson {BIO 4369887 <GO>}

Yeah. It was originally about a couple of hundred million dollars of premium and now it's down, I mean, you can see the numbers, you can multiply by four, I don't need to -- 250 actually, for the year. So that's -- it's been -- it's taken a big dent and that also explains why the growth was more tested this quarter than otherwise could have been.

Q - Brian Meredith {BIO 3108204 <GO>}

Great. And then one other just quick one here for you, I know you guys launched a sidecar, I guess this is in the first quarter, any thoughts about additional kind of alternative capacity here to potentially capture some of the good attractive opportunities in reinsurance.

A - Marc Grandisson {BIO 4369887 <GO>}

It's a good question, Brian, you know, you're trying to get us to say something we don't want to say or we can't say or we won't side, I mean we don't -- we don't mentioned about, you know, we certainly are always on the look out to raise capital to deploy with third party, a lot of discussions are happening all over, we'll have probably more update as we -- as we see it happen and we'll be communicating to you to the extent as appropriate, but I must clearly.

Q - Brian Meredith {BIO 3108204 <GO>}

Great. Great. And last one, just quickly any updates on Coface?

A - Marc Grandisson {BIO 4369887 <GO>}

Coface, you know, strategically, it's still something we really very much think it's valuable for the shareholders, there's a lot going on, we are still going through the process of approval process and we're keeping a keen eye on what's happening, I think they reported results yesterday, which were better than the street expected. So we'll see how that goes, it's also there as well as developing situation with them.

Q - Brian Meredith {BIO 3108204 <GO>}

Okay. Thank you.

Operator

Our next question comes from Phil Stefano with Deutsche Bank.

Q - Phil Stefano {BIO 18965951 <GO>}

Yeah. Thanks. Just a quick one on the Bellemeade transaction, I'm thinking about the potential for these moving forward, I guess it feels like the Bellemeade deal that was done in the past quarter, just given as attachment was probably more for S&P Capital credit than PMIERs. When we saw in MI, pure play come out with their own transaction, which is in my mind, more of a traditional attachment point in the low single digits, so the spreads on that and the placing was significantly higher. How are you thinking about that the managing of tail risk that Bellemeade provides versus just the capital credit that could be from playing, I would think, something that could be considered well above the working layers for the MI reinsurance coverage and the capital relief is something like that might provide.

A - Marc Grandisson {BIO 4369887 <GO>}

Yeah. It's good question, I think it's always something we evaluate when and if we place or look at options that are in front of us. You are correct, this one attaches -- the last one attaches above the PMIERs credit, but we're still very much -- we have a healthy PMIERs ratio, so that didn't really concern us too much at this point, not to say that next time or down the road, we may not go back to a lower attachment point. But yeah, the focus was really, yes, it's an available source of capital from a rating agency point of view, S&P you're correct and it covers that, it provides us coverage there and also we felt is being the first one out of the gate, even before the GSEs, to go back and access the capital markets was we thought a very strong message demonstrated again, I touched on it, the quality to book and the investor base is still very -- has a lot of interest and appetite for the product. So I think we were happy with the placement, no question it's always too expensive. We'd like to see the price to come down. We hope they do down the road, but for the time being, given the economics in front of us, we were -- I think it was a good move on our part.

Q - Phil Stefano {BIO 18965951 <GO>}

Got it. Thanks. And to the extent that you guys have disclosure wishlist that you keep in the background, I think it might be harmful to see the US MI disaggregated from the international and the mortgage reinsurance books, just given the significant differences and how those businesses are reserved for. Thanks. Appreciate it and congrats.

A - Marc Grandisson {BIO 4369887 <GO>}

See you back. Thank you.

Operator

Our next question comes from Geoffrey Dunn with Dowling & Partners.

Q - Geoffrey Dunn {BIO 3447798 <GO>}

Thanks. Good morning. I guess, first just a quick number question, can you quantify the impact of the accelerated singles in the quarter.

A - Marc Grandisson {BIO 4369887 <GO>}

Did we do this, I think it's about $50 million.

Q - Geoffrey Dunn {BIO 3447798 <GO>}

Okay. And then what think forward past the end of new forbearance,so early next year. So given what you know about the economy now, obviously very different from a couple of months ago, how would you think about claim rates on new notices without forbearance, again you pointed out, it's very different with home prices, remains to be seen if we are going into a recession or not, and I think Marc, last quarter you suggested, we might be looking at 13, 14 given what you knew then. So what do you think about that type of number, as you get into early 2021, based on what you know today.

A - Marc Grandisson {BIO 4369887 <GO>}

I think the 5% is probably. This is like on NOD, so you're talking about claims rate for the portfolio.

Q - Geoffrey Dunn {BIO 3447798 <GO>}

On NODs, so new notices coming in and forbearance goes away.

A - Marc Grandisson {BIO 4369887 <GO>}

Yeah. Right. I think we were at 7.9 pre-COVID. I think that the forbearance should be, should be pretty, pretty helpful and to bring it up not bring up to the 13-14, you just mentioned that I mentioned the first quarter, that's probably my gut would tell me, a slight increase for a while until we see things shake out and things getting back to more normalcy and I think now reverting back to some kind of level, I think the forbearance program were to play out, to which we play out, it is still very uncertain, as you know Geoff. I think that we should get back to, it might be elevated for a while, maybe 12%, 13% for a while, but it should go back down at some point for next year I would say.

Q - Geoffrey Dunn {BIO 3447798 <GO>}

Okay. All right. So you do think given what you know about the economy and built up equity that you could still see 12% type of incidents assumption.

A - Marc Grandisson {BIO 4369887 <GO>}

Yeah. On NODs right, on new NODs for regular BQ, not for the forbearance piece, the forbearance piece we gave, we did give a discount right, discounted that. So yes.

Q - Geoffrey Dunn {BIO 3447798 <GO>}

Okay. All right. Thank you.

A - Marc Grandisson {BIO 4369887 <GO>}

Thanks, Geoff.

A - Francois Morin {BIO 17410715 <GO>}

I mean before you go onto the next one, Geoff, quick, quick update for you the actual impact of the singles was $27 million in the quarter, just correction to Marc's $50 million.

Q - Geoffrey Dunn {BIO 3447798 <GO>}

Thanks again.

A - Francois Morin {BIO 17410715 <GO>}

Okay.

A - Marc Grandisson {BIO 4369887 <GO>}

You're welcome.

Operator

Our next question comes from Jimmy Bhullar with JP Morgan.

Q - Jimmy Bhullar {BIO 4278955 <GO>}

Hi. I just had a question on pricing and just how you think about the interplay between the decline and exposure that the economy remains weak and how that could affect demand and pricing and relatedly, what else is out there that you think could potentially derail the momentum that you've seen in pricing of both in insurance and reinsurance.

A - Marc Grandisson {BIO 4369887 <GO>}

I mean it's hard to predict the future, as you know, oh my god, I think, if everything resolved, if everything resolved -- I mean even if things resolved for the better, I think the momentum that we've seen in the first quarter, late 2019 and early 2020, I think we will still see some momentum. I think it would be just a matter of degree how much -- how much higher the rates could go, but I do believe the momentum was there for turn of a market will be for pre-COVID-19. COVID-19, like I said before exacerbated the need for rate and accelerate the need for rate.

Q - Jimmy Bhullar {BIO 4278955 <GO>}

And then there has been a lot of talk about sort of ILS and trapped capacity and what do you think about when either some of the capacity gets relieved or potentially gets absorbed and once there is clarity on that, do you think by this time next year, like a lot of the capital would actually be out.

A - Marc Grandisson {BIO 4369887 <GO>}

It's a possibility. I mean that's also assuming there is no more cat occurring this year, but this is a long-lasting cat event. So it's not as clear as having a quake, let's say in March and get in a year out, it's still developing, but you have a better sense for wanting to or would be willing to release capital.

This one will take a bit longer to process through, right. For instance, you could have arguments in courts and new ways and you push back on the insurance industry to pay claims and that would take -- that could take you know another year-and-a-half to two years to resolve. So there's a lot more uncertainty in terms of timing, finding resolution of the ultimate prices. So it's a lot less certain that it will take only a year to get through it.

Q - Jimmy Bhullar {BIO 4278955 <GO>}

Thank you.

A - Marc Grandisson {BIO 4369887 <GO>}

Sure.

Operator

Our next question comes from [ph]Jaime Inglis with Willow Smith.

Q - Unidentified Participant

Hi. Good afternoon. I wanted to follow up on the conversation we've been having about forbearance programs and to what extent delinquencies get cured to claims, turning to claim sort of et cetera. And I appreciate that. We don't know what's going to happen going forward, but I wonder if you could speak to what you learned in previous forbearance programs and how that -- how that affects your thinking about your current book and what you learned in there, was it -- did you learn anything about LTVs, geographies, sort of et cetera and how does that apply to your existing book today.

A - Marc Grandisson {BIO 4369887 <GO>}

I think we have done reserving in the past, considering all the dimensions, you just talked about, I think that we had the -- the beautiful thing about the prior Hurricanes or the beautiful thing in a way is that we had prior Hurricanes and prior events that we can go back to and look at the experience. That definitely helps us, but I guess boundaries around what could happen, but this one is very unusual in the length of the forbearance program and the breadth and how widely spread it is and I think we also have to throw in there the $600 per week unemployment benefits and the distribution that we talked about, some regions are more heavily affected than others.

So I think everything gets in the mix Jaime. It's not just one dimension, and I think what we've learned is that we sort of can you use the historical forbearance experience as sort of a -- as the range of possible outcomes, but we actually are digging heavily, heavily into developing a much more refined view of the forbearance specific programs such as the one we are facing right now and we may never use it again, but at least, we are in the process of readjusting our development claims, model called Armor that we have internally.

So we are still very much developing and we're learning on the fly.

A - Francois Morin {BIO 17410715 <GO>}

Two things I'll add quickly to that. As Marc mentioned, historically forbearance delinquencies, most of them cure, I mean and we made comment that the 2% kind of claim rate. So that's -- that's obviously a very positive sign, but that's again more localized and it's a short-term issue. So I mean understandable that these delinquencies, most of them would cure. So that would be -- one extreme that would be a very good result in this situation, maybe a little of a counter to that, as you may know, many of the claims and for the mortgages are loans in forbearance, up to 40% were actually still current, up until recently. So the early days of the second quarter, many loans had access to forbearance programs, but remain current and made their mortgage payments, the data now suggest that that percentage has come down, so the reality is now we'll get a few more loans that have turned delinquent that were historically current or have been current and forbearance, but now turn delinquent.

So that's a bit of a data point that we're monitoring, but that kind of gives us a bit of, not necessarily concerned, but we have to understand better, so that we can refine our estimates as we move forward, because the 2% ultimate claim rate may not be achievable or probably won't be what we end up with in this current situation.

Q - Unidentified Participant

Okay. All right, great. I appreciate it. Good luck on the future.

A - Marc Grandisson {BIO 4369887 <GO>}

Thanks, Jaime.

Operator

I'm not showing any further questions. I would now like to turn the conference over to Mr. Marc Grandisson for closing remarks.

A - Marc Grandisson {BIO 4369887 <GO>}

Thanks for joining us this quarter. Please stay safe. Have a nice rest of the summer and we'll talk to you in the fall again. Thank you.

Operator

Ladies and gentlemen, thank you for participating in today's conference, this concludes the program. You may all disconnect.