# Q2 2019 Earnings Call

## Company Participants

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

## Other Participants

- Daniel Baldini, Analyst
- Elyse Greenspan, Analyst
- Geoffrey Dunn, Analyst
- Joshua Shanker, Analyst
- Sean Reitenbach, Analyst

## Presentation

### Operator

Good day, ladies and gentlemen, and welcome to the Q2 2019 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 or financial performance. The reconciliation to GAAP and definition of operating income can be found on 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>}

Thank you, Krystal, and good morning to you all. Our operating results were very good this quarter, and were driven by solid underwriting performance, like catastrophe losses, which together with higher bond and equity prices in financial markets, led to a 6.6% increase in our book value per share this quarter. Our operating ROE for the second quarter at 13.1% remains satisfactory.

Market conditions in our property casualty segments continue to improve, and, as a result, we selectively increased our writings. While we hope that the market firming has legs, we will continue to focus on allocating capital to those lines with the best risk/reward characteristics. In our view, this is a market which favors those companies who are nimble and who focus on expected returns, risk selection, and segmentation in building their book of business.

Across the property and casualty industry, we have seen several market opportunities, where we have increased our capital deployment, notably in London and in E&S lines in the US. It is worth noting that because we have kept our powder dry in the recent soft markets, we are better positioned today to flex into these markets, as rates improve. Despite these tailwinds, the firming is not occurring across the board. One factor that makes us cautious, is the uncertainty surrounding the margin of safety. In some cases, rates are increasing on a relative basis, but are not adequate on an absolute basis.

Across all lines in the second quarter, our insurance groups rate changes, as measured on renewals-only, averaged around plus 3.5%. However, there is strong anecdotal evidence, that the majority of our new business came in at better levels than the renewal business. This is a sign of a transitioning market. Overall, we estimate that roughly 20% of our increased premium writings in insurance came from rates, and the balance from exposure growth.

There are a number of well-known factors driving today's P&C environment. Number one, derisking by some of our competitors. Two, significant cat losses sustained by the industry in recent years. Three, current interest rate levels support the need for further firming in premium rates. And most significantly, fourth, a lack of margin in pricing that exacerbates volatility in quarterly results, and the attendant implicit recognition that reserve levels could be inadequate.

Reinsurance markets tend to follow the fortunes of primary insurance, and when you peel back the numbers as Francois will in a minute. We also see good opportunities in our Reinsurance segment. Catastrophe losses over the past two years and the difficulties of some alternative capital providers, has led to improved rates in property and marine lines, with the Florida specific renewals experiencing market increases of 15% to 20% at midyear.

As you can see in our financial supplement, we were able to grow our property writings on a gross basis, but we still need additional rate to commit more significant capital to our peak zones. We also saw strong demand in the international direct and fac markets, and one of the tails in this transitioning market is in our US property facultative units, where submission activity increased substantially for the first time in several quarters.

Taking a step back, the P&C environment, kind of reminds me of the summer vacation, with your kids in the back of the car asking, are we there yet? In our view, not quite yet. But the path to better underwriting (technical difficulty) profit the -- back to better underwriting profitability, is becoming clear.

Turning now to our mortgage insurance segment, Arch MI continues to perform well, given the high quality characteristics of our risk-in-force portfolio and the favorable economic conditions. As you may know, growth in insurance-in-force produces increases in our earned premium, which together with credit quality, drive mortgage insurance results.

NIW in the second quarter was $17.2 billion, a decrease of 14% from the same period a year ago, and we believe primarily reflects the early stages of the rest of the MI industry, adopting and learning to use risk-based pricing, which could lead to greater volatility in quarterly market shares for the next several quarters.

As we have said before, at Arch, our focus is on returns rather than market share. What matters to us. is that we write business at or above our target returns, and that we are realistic and diligent in our assessment of risk. Today every risk -- every key risk barometer in our US MI portfolio remains at favorable levels

The second quarter combined ratio of our US mortgage was excellent at 28%. Credit quality, as indicated by FICO scores, remain strong across our in-force book, with a weighted average score of 743. Our in-house measure of portfolio risk, our loan risk score or LRS, indicates that the relative ability of borrowers to repay their loans remains excellent and significantly better than what it was in the pre-crisis period.

With respect to our investment operations, we have repositioned the portfolio over the last 12 months, to a slightly longer duration, and as a result of the recent declines in interest rates, we recorded a substantial increase in our book value per share.

And, with that, I'll hand over the call to Francois. Francois?

## Francois Morin {BIO 17410715 <GO>}

Thank you, Mark, and good morning to all. Before I give you some comments and observations on our results for the second quarter, I wanted to remind you that, consistent with prior practice, these 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 $317.4 million, which translates to an annualized 13.1% operating return on average common equity, and $0.77 per share. Book value per share grew to $24.64 at June 30, a 6.6% increase from last quarter, and a 19.2% increase from one year ago. This result reflects the effect of strong contributions from both our underwriting operations and our investment portfolio.

Starting with underwriting results, losses from 2019 catastrophic events in the second quarter, net of reinsurance recoverables and reinstatement premiums, stood at $7.2 million or 0.5 combined ratio points. These losses flowed through both our insurance and reinsurance segments, and were primarily due to convective storm activity in the US.

As for prior period net loss reserve development, we recognized approximately $35.5 million of favorable development in the second quarter, net of related adjustments or 2.7 combined ratio points, compared to 5.1 combined ratio points in the second quarter of 2018.

All three of our segments experienced favorable development at $1.5 million, $11.3 million and $22.8 million for the insurance, reinsurance and mortgage segments, respectively.

The insurance segment's accident quarter combined ratio, excluding cats was 99.4%, 90 basis points higher than for the same period one year ago. The year-over-year comparison for the insurance segment is affected by two notable items. First, we experienced a relatively higher level of current accident year attritional loss activity this quarter, across a few lines of business in the UK.

Second, as discussed last quarter, the integration of our UK regional book is ongoing, and increased our overall expense ratio for the segment this quarter by approximately 90 basis points.

We continue to expect that the expense ratio for this segment will remain higher than the long-term run rate until the earned premium from the acquired business reaches a steady state.

We had solid growth this quarter in the reinsurance segment, that was partially muted, due to the renewal of a large transaction that required less capacity this year. Adjusting for the effect of this renewal, net written premium would have grown by 14.3% this quarter, over the same quarter one year ago. The segment's accident quarter combined ratio, excluding cats, stood at 92.2% compared to 100% on the same basis one year ago.

The year-over-year movement is primarily driven by an elevated level of property facultative losses for the same quarter last year, which explains approximately 580 basis points of the difference year-over-year, and the impact of the renewal just mentioned, which contributed approximately 170 basis points. Most of the remaining difference is explained by operating expense ratio improvements, resulting from the growth in earned premiums since the same quarter one year ago.

The mortgage segment's accident quarter combined ratio improved by 370 basis points from the second quarter of last year, as a result of the continued strong underlying performance of the book, particularly within our US primary MI operations. The calendar quarter loss ratio of 7.4% is identical to the result observed in the same quarter of 2018. Although last year's loss ratio was helped by favorable prior development that was approximately 150 basis points higher, than what was observed this quarter. The expense ratio was 20.6%, lower by 220 basis points than in the same period one year ago, as a result of a higher level of rent premiums.

As mentioned in the earnings release, we novated a seeded reinsurance transaction during the quarter that increased net written and net earned premium by approximately $17.1 million for the segment. If not for the effect of this novation, net written premium would have grown by 8.7% this quarter over the same quarter one year ago, and the mortgage segment's loss and expense ratios would have been 30 and 100 basis points higher respectively.

In addition, the transaction improved the Group-wide annualized operating return on return on average equity by 60 basis points, and increased the per share operating income by $0.04.

Total investment return for the quarter was a positive 237 basis points on a US dollar basis, as our high quality portfolio continued to perform well. Our portfolio duration was up slightly during the quarter to 3.52 years. The corporate effective tax rate in the quarter on pretax operating income was 10.1%, and reflects the geographic mix of our pretax income, and a 70 basis point benefit from discrete tax items in the quarter. As a result, the effects of tax rate on pretax operating income, excluding discrete items was 10.8% this quarter, higher than the 10.4% rate from the same quarter last year. At this time, we believe it's still reasonable to expect that the effective tax rate on operating income will be in the range of 11% to 14% for the full year. 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.

Turning briefly to risk management; despite the recent increases in catastrophe pricing, our natural cat exposures on a net basis remain at historically low levels at July 1, with the Northeast still representing our peak zone at slightly more than 4% of tangible common equity at the 1-in-250-year return level. As we have mentioned on prior calls, if cap rates and expected returns improve over time, we have meaningful available capacity to increase our participation in this segment.

In our MI segment, last week we closed our third issuance of Bellamy Securities this year, that provided $701 million of reinsurance indemnity on nearly $50 billion of insurance in-force. In total, Arch has completed nine Bellamy transactions since the inception of the program in 2016, which as of July 30th, 2019, provide aggregate reinsurance coverage of over $3.3 billion.

With respect to capital management, we did not repurchase shares this quarter. Our remaining authorization, which expires in December 2019 stood at $161 million at June

30th, and our debt-to-total-capital ratio stood at 13.9% at quarter end, and debt plus preferred to total capital ratio was 20.1%, down 240 basis points from year-end 2018.

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

# Questions And Answers

## Operator

Thank you. (Operator Instructions) And our first question is Josh Shanker from Deutsche Bank. Your line is open.

## Q - Joshua Shanker {BIO 5292022 <GO>}

Yeah. Thank you very much. Marc, you said that in your prepared remarks, that you thought because you were writing so much business during the slumping years of pricing that you were better positioned than others. Brokers and customers like to know that there is a consistent market regardless of pricing available to them, and companies that come in and out in a mercenary sort of way, tend not to get the business. How can Arch come in and be competitive in these markets compared with the companies that have been willing to write policies at less margin?

## A - Marc Grandisson {BIO 4369887 <GO>}

Well, as in -- hi, Josh. As in every market, I think that when there is a sort of a shift in capacity, some incumbents who have been providing continuity of coverage, actually take a pause, and they look around, and say, well, maybe, we don't want to do that risk or do that risk at probably different terms and conditions. And we are not -- we did not move away from all the markets. Actually, we are still very much present. I think that our growth or, I would say, we weren't as involved in the market for the last three or four years, I think you have to look at our trend rate of growth, which was less than what you would have expected the market to grow. So we tend to -- to below the long-term average.

I think, right now, you see us be above the long-term average and brokers, I'd like everything else, when they need capacity, they have to look for capacity for good quality assets and we actually are growing in areas where we already are present. There is some risk that we did not see before, did not have a chance to quote or participate on, or, frankly, we found the price to be inadequate for our liking. And now they're coming back to us and say, well, what about that risk. Mr. Arch? You didn't write it before, and that's what happens.

So the relationship is not solely client insured-by-insured. It has to do -- as you know, we are broker market company. So the relationship is through the broker channels across multiple lines of business. A company that writes over $3 billion a year premium is not a maverick or I'm not sure what word you use, but we're not a mercenary company.

## Q - Joshua Shanker {BIO 5292022 <GO>}

I didn't mean to use that word in a pejorative way.

## A - Marc Grandisson {BIO 4369887 <GO>}

You did. (multiple speakers)

## Q - Joshua Shanker {BIO 5292022 <GO>}

I wasn't talking about Arch.

## A - Marc Grandisson {BIO 4369887 <GO>}

Sure, of course.

## Q - Joshua Shanker {BIO 5292022 <GO>}

And in terms of -- I know that -- so Nicolas has come in to run the insurance business and I guess there is a non-time specific goal of getting combined ratio down to a 95%. If I look at the people you've had running the insurance business over the last 20 years or not quite 20 years, you've had some incredible talent running that business and in -- a 95% combined ratio has been a rare moment of success for that segment. What can Nicolas bring to the market that's going to help you get to those goals?

## A - Marc Grandisson {BIO 4369887 <GO>}

So the first thing that Nicolas is bringing to the insurance group, is this a little bit more proaction in terms of when the market transitions or shifts. And that's something that you could feel and experience when you talk to our underwriting team, that's number one.

Number two is, we also have different tools than we had available to ourselves, say 10 years ago. Predictive analytics is what comes to mind. This is really something that is relatively new and we see the benefits of it on a daily basis and are embarked, as you know, Josh, on a -- across-the-board project to get everybody through predictive analytics and that speaks to the segmentation and underwriting selection that we talked about.

In addition, you see this through some of the numbers. On the IT, we do have a healthy amount of investment. We took a guy from our MI Group, which was superb, and best-of-breed in terms of IT development and we sort of brought that there as well. So it's a combination of culture and really giving more tools and having access to more tools. So I'm not sure that it's really people-specific.

## Q - Joshua Shanker {BIO 5292022 <GO>}

And do you have a -- I know you haven't given time, but when you say, we are hoping to get to a 95, is that a three-year plan, is there no time behind that, is there anyway like, sort of, getting a little more specific ?

## A - Marc Grandisson {BIO 4369887 <GO>}

Like I said on earlier calls. I'd like this to be yesterday, but I think we have to go through it in steps. I think that, Josh, I'm very encouraged by the development and the improvement that we've made in insurance and, certainly, the tailwind we have on the market is going a long way to get there quicker.

## Q - Joshua Shanker {BIO 5292022 <GO>}

Okay. Thank you very much.

## A - Marc Grandisson {BIO 4369887 <GO>}

Thank you.

## Operator

Thank you. Our next question comes from Elyse Greenspan from Wells Fargo. Your line is open.

## Q - Elyse Greenspan {BIO 17263315 <GO>}

Hi, good morning. My first question, I guess, tying into Josh's last question on the 95, you guys have always been a bit more tempered on where you see loss trend within the insurance market. Obviously, you gave us -- in your prepared remarks, Marc, you said, rates up about 3.5%. Can you give us a sense of where you see loss trend today and kind of how that's changed over, kind of, the past last three to six months, if it has?

## A - Marc Grandisson {BIO 4369887 <GO>}

It hasn't changed a whole lot. We actually are going through a very deep dive in loss trend. I do think that we still have uncertainty around this. We have very recent years, a different kind of economy in the last three, four years. It's going to take a while for us to finally determine what the trend is. I would just only tell you that it's not an exact science, so we try to look at discernible pattern. I think you've heard on other calls that there is a recognition that there is something afoot on the severity side of things, more specifically. And the frequency remains to be seen if that is going to compound for the pure premium. But, for now, the severity is definitely picking up. So that's what has taken us -- we still are very, very careful.

So when I talk about the 3.5% lease, it's made up of a range, right, from minus 1 in certain lines of business to plus 12, 13. So those who are clearing plus 10, plus 15, obviously, are clearing anything above what could be in terms of range of expectations on the loss trend, right. If you think the loss trend is an expectation between 2 to 4, even at the higher end if you clear 10% rate increase and if it's the second year of 10% increase, it gives you that much more comfort. That's how we think about it.

## Q - Elyse Greenspan {BIO 17263315 <GO>}

Okay. And then could you -- also in terms of pricing, could you give us a sense of what you're seeing within the E&S market? Are more risks going into the E&S market. How is the price there compared to the standard market? And what does the trajectory look like on the E&S side of things?

## A - Marc Grandisson {BIO 4369887 <GO>}

So, yeah, on the E&S side, I think it's sort of -- if you look in terms of steps, a lot of things were written in Lloyds and other eminent markets. A lot of business is thrown back into the US E&S market, which we are a participant of, as you know. And so, it's coming to us, it's coming to other E&S carriers around the country. We are not solely benefiting from this. But clearly the rates coming in are worth -- expiring, they were lower than what we would like to have, otherwise we would have written those deals. And it's mostly property, I would say, at this point in time, because of the -- certainly not helped by the recent cat losses.

So if you look at it from the sum total position, clearly E&S is getting traction. It's coming back to us. We're looking at it and we are able, as I said in my remarks, some of them are getting substantial rate increases, and they need to, right? They need to get those rate increases to get to the level of returns that we are seeking. And then we think that this is -- specifically in the property side, our team is seeing some legs to it. They are really seeing an increased amount of -- a number of submissions and we see some legs to it for the next couple of quarters, which is encouraging, which is the first time I could really say that to you.

## Q - Elyse Greenspan {BIO 17263315 <GO>}

Okay, great. And then there were some potential regulation out last week in terms of the potential for the patch rule to go away. I was just wondering, I know that that would be kind of a 2021 event, but could you just comment on or just exposure on the MI side if there was a change and just give us a little bit of an understanding on how that could impact your mortgage insurance business?

## A - Marc Grandisson {BIO 4369887 <GO>}

Well, it could definitely impact not only ours, but the overall MI segment, right. About a 30% share of the GSE patch, it's a big deal. I think we are communicating with them. We're talking to the GSEs and the CFPB in trying to give them the -- our comments and our view on this. At a high level, it could go multiple ways, but the best ways for us would be and this is certainly what we would advocate is that, that business could also fund its way onto the private market, right. I mean there is clearly a path for this to be more in a private placement as well. Going the way of the FHA, I mean it's certainly something that they could decide to do, but that would be --- sort of assure that they would have to do politically. I think at this point in time, Elyse, it's too early. We definitely are involved in this. The encouraging words from the CFPB were that -- trying to leveling the playing field across all participants, which means the GSEs and the private capital markets, this is how we want to and wish to interpret it. So we'll be in touch with them, and we are hopeful that there will be a transition or there'll be some very thoughtful and deliberate way to resolve that. So we're not overly excited at this point in time, but we certainly are looking at intently.

## Q - Elyse Greenspan {BIO 17263315 <GO>}

Okay. Thank you. I appreciate all the color.

## A - Marc Grandisson {BIO 4369887 <GO>}

Great. Thanks, Elyse.

## Operator

Thank you. Our next question is from Daniel Baldini from Oberon. Your line is open.

## Q - Daniel Baldini

Hi, good morning. Thanks for taking my call.

## A - Marc Grandisson {BIO 4369887 <GO>}

Hey, Dan.

## Q - Daniel Baldini

It seems like it's increasingly likely that there'll be a hard Brexit at the end of October. And I was wondering if you could talk about the effects on your business? And, specifically, your ability to do business from London, where you've mentioned earlier, you have increased activity. The ease of moving your London based people around the continent to do business, and what exposure do you have to a further weakening in the domestic economy there?

## A - Marc Grandisson {BIO 4369887 <GO>}

Okay. So let me take the Brexit question. We already -- as is everybody else in the industry, we have repositioned our European operation into Dublin. So this is where we are currently doing non-UK business, as of the end of March, I believe, is the timeframe. And we also have through Lloyds, our Brussels -- Brussels is the establishment for Lloyds within the EU. So we are also a participant in that marketplace. And we carry on with the UK business, and actually we are -- to answer your last question, we're very keen on developing a bit more of the retail and we did the acquisition last year -- end of last year of the Arden retail network. So that's actually going very, very well.

And so, it creates some barriers to entry for possibly the other participant. But I think everybody has been pretty good, including ourselves and establish -- setting ourselves up for being able to write the business, whatever happens, whether it's hard Brexit or negotiated Brexit. So we are already well ahead of whatever could happen. So a little bit more expensive, because you tend to have a bit less like concentration of back-office and underwriting support. But by and large, it's not a -- hopefully that will presumably find it's way to pricing anyway. And so, we're very relaxed with Brexit.

## Q - Daniel Baldini

Okay. Well, thanks very much.

## A - Marc Grandisson {BIO 4369887 <GO>}

Thank you.

## Operator

Thank you. And our next question comes from Geoffrey Dunn from Dowling & Partners. Your line is open.

## Q - Geoffrey Dunn {BIO 3447798 <GO>}

Thanks. Good morning. Just a couple of -- number of questions first. Can you disclose the aggregate ILN costs running through your premium line this quarter?

## A - Marc Grandisson {BIO 4369887 <GO>}

It's about $18 million.

## Q - Geoffrey Dunn {BIO 3447798 <GO>}

$18 million, okay. And with respect to the 2019-3. What was it about the '16 book that you didn't do it back then, you went back into that now. Obviously with the one piece of the back book not covered. But was it -- I guess what was behind, just the delay in covering it?

## A - Marc Grandisson {BIO 4369887 <GO>}

Well, I mean a couple of things. One is, as you know, we've been trying to get protection on the whole book. So, yeah, no question that '16 was the only year that did not have coverage on it. And the timing of it is really -- I'd say a big reason is the fact that it's a seasoned book. I mean if you we saw it last year when we placed the 2018-2 issuance, where that was covering the 2013 to 2015 years. Once the book is seasoned a little bit, I mean the investors have a lot more visibility in the performance, and of the spreads just are that much tighter. So we saw the exact same kind of behavior for this recent issuance, and just wanted to wait until the book was seasoning up, until we went to the market with it.

## Q - Geoffrey Dunn {BIO 3447798 <GO>}

Okay. And then, with respect to the new notice growth, I think we're seeing all the legacy players go through a transition now, where the '09 and after seasoning is offsetting the improvement on the '08 and prior. Can you provide a little bit more color on the two different books there in terms of the impact on the 9% growth this quarter? What are your own '09 and afters growing their notice is at, versus the decline in the '08 and prior?

## A - Marc Grandisson {BIO 4369887 <GO>}

I am going to look at these numbers now. I don't have them handy. But what I could tell you is, 6% of our book is prior to '09. 94 is post '09, (inaudible) post '08. So most of our growth will come from those years. And it is pretty much coming from the 2015-2017, Geoff, so it's not really different than anybody else around. I think these years have some seasoning and sort of finally at two, three years mark right where they tend to get the default. So, yeah.

So all I will add is, this was the first quarter really where we saw the -- more than half of the delinquencies are from '09 and subsequent. So up until recently it was obviously trending up, but now it's really above 50%.



## A - Francois Morin {BIO 17410715 <GO>}

One last thing I will add, Geoff, this is all expected. There is nothing really to read more into it than just a natural phenomenon of growing the book of business, the insurance in-force, and over time, the seasoning up -- even the most recent year, we will tend to get some NODs. But as we remind ourselves, as you know, Geoff, these NODs, the ultimate claim rate on those is much smaller than anything we have seen -- we had seen for the pre-'08 right. We're still below 10% ultimate claim rate.

## Q - Geoffrey Dunn {BIO 3447798 <GO>}

Okay, helpful. Thank you.

## A - Marc Grandisson {BIO 4369887 <GO>}

Thanks Geoff

## Operator

Thank you. And our next question comes from Sean Reitenbach from KBW. Your line is open.

## Q - Sean Reitenbach {BIO 20103487 <GO>}

Hello. Arch just had some adverse development on older accident year, is it related to a binding authority book? What are you seeing in that book of business now?

## A - Marc Grandisson {BIO 4369887 <GO>}

Well, I mean, that's something that we've identified. No question, we had some issues. We've had some issues within the performance of that book. We've made some corrections along the way. We've shrunk our volume. We've re-underwritten the book to some extent. Right now, we'd like -- we think the reserve development is contained. So we don't expect a whole lot of -- I think we're in a good spot and don't think there'll be more to come in a material way. But it's certainly a book that we know has underperformed and we corrected to some extent, and we're keeping an eye on it.



## Q - Sean Reitenbach {BIO 20103487 <GO>}

Okay, thank you. That's helpful. And then also, we've seen some property and casualty competitors lose share in third party capital under -- assets under management and some are gaining share. What's happening at Arch?

## A - Marc Grandisson {BIO 4369887 <GO>}

We're gaining share.

## Q - Sean Reitenbach {BIO 20103487 <GO>}

Okay.

## A - Marc Grandisson {BIO 4369887 <GO>}

Yeah, I think there is a -- we've seen I think the quality of the operator, we'd like to think has maybe a bit more -- people put more value on that. So we have a good track record in underwriting on the property side, and I think there is more capital that's looking to find a home with a solid underwriting team, and that's what we think we've demonstrated over time and I'd like to think we can continue to keep doing it.

## Q - Sean Reitenbach {BIO 20103487 <GO>}

Okay, thank you very much. That's all I have.

## A - Marc Grandisson {BIO 4369887 <GO>}

Thanks, Sean.

## Operator

Thank you. And I am showing no further questions from our phone lines. I'd now like to turn the conference back over to Mr. Marc Grandisson, for any closing remarks.

## A - Marc Grandisson {BIO 4369887 <GO>}

Thank you everyone. We'll see you next quarter.

## Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program and you may all disconnect. Everyone, have a wonderful day.