Q1 2013 Earnings Call

Company Participants

- Dino Robusto, EVP, The Chubb Corporation, and President, Personal Lines and Claims
- John Finnegan, Chairman, President and CEO
- Paul Krump, EVP, The Chubb Corporation, and President, Commercial and Specialty Lines
- Richard Spiro, CFO

Other Participants

- Amit Kumar, Analyst
- Ian Gutterman, Analyst
- Jay Cohen, Analyst
- Jay Gelb, Analyst
- Josh Shanker, Analyst
- Josh Stirling, Analyst
- Meyer Shields, Analyst
- Michael Nannizzi, Analyst
- Mike Zaremski, Analyst
- Vinay Misquith, Analyst

Presentation

Operator

Good day, everyone. Welcome to the Chubb Corporation's First Quarter 2013 earnings conference call. Today's call is being recorded. Before we begin, Chubb has asked me to make the following statement. In order to help you understand Chubb, its industry and its results, members of Chubb's Management team will include in today's presentation forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. It is possible that actual results might differ materially from estimates and forecasts that Chubb's Management team makes today. Additional information regarding factors that could cause such differences appears in Chubb's filings with the Securities and Exchange Commission.

In their prepared remarks, in responses to questions during today's presentation, Chubb's Management may refer to financial measures that are not derived from Generally Accepted Accounting Principles, or GAAP. Reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures and related information are provided in the press release within the financial supplement for the First

Quarter 2013, which are available on the Investor Section of Chubb's website at www.chubb.com.

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Now I will turn the call over to Mr. Finnegan.

John Finnegan {BIO 1735942 <GO>}

Thank you for joining us. As you can see from our earnings release, Chubb had a great First Quarter. We recorded the highest operating income per share and the highest net income per share of any quarter in the Company's history. The quarter was highlighted by strong underlying performance in each of our business units and relatively benign catastrophe losses. We were also very pleased that the positive rate momentum we have seen in recent quarters has continued.

Operating income per share was $2.14, a 26% increase over last year's First Quarter. Annualized operating ROE was 16.3% for the First Quarter of this year. The combined ratio for the quarter was 84.6, compared to 90.2 last year. Excluding the impact of CATs, the combined ratio for the First Quarter was 84 in 2013, 5.4 point improvement over last year's First Quarter. Our overall gross and net loss estimates for Storm Sandy remained unchanged. Although the CCI loss estimate declined slightly and the CPI loss estimate increased by a similar amount.

During the First Quarter we had net realized investment gains of $138 million before tax, or $0.34 per share after tax. This brought our First Quarter net income per share to $2.48, resulting in an annualized ROE of 16.5%. GAAP book value per share at March 31, 2013, was $61.79. That's a 2% increase since year-end 2012 and an 8% increase since March 31 a year ago. Our capital position is excellent. During the First Quarter, we increased our common stock dividend for the 31st consecutive year, and we also continued our share repurchase program, as Ricky will discuss later. Net written premiums were up 4%, driven by growth in all three of our business units.

In terms of pricing, average renewal rates increased in both our US Commercial and Specialty lines by high single-digits in the First Quarter, consistent with the rate increases we saw in the second half of last year. We also had continued rate improvement in personal lines. We continue to push for rate as we focus on improving the profitability of our business in the face of low interest rates and the higher catastrophe losses that the industry has experienced over the past several years.

And now, for more details on our operating performance, we'll start with Paul who will discuss Chubb's Commercial and Specialty Insurance operations.

Paul Krump {BIO 5211397 <GO>}

Thanks, John. Chubb Commercial Insurance net written premiums for the First Quarter increased 2% to $1.4 billion. The combined ratio was a terrific 89 -- 81.9, versus 93.3 in the First Quarter of 2012. The impact of catastrophes in the First Quarter of 2013 improved CCI's combined ratio by 1.7 percentage points, of which 2.1 points were related to a decrease in estimated commercial losses from Storm Sandy. Excluding the impact of catastrophes, CCI's First Quarter combined ratio was 83.6, compared to 92.4 in the First Quarter of 2012. This was an outstanding quarter, as CCI benefited from continued favorable development and the impact of earned rate increases in excess of loss costs in our current accident year. Much of our favorable loss experience is attributable to our underwriting initiatives which we commenced in 2011, and which we have discussed at length on previous calls.

At the same time, we recognize that we also had a measure of good fortune in the form of a very low level of large losses in our Property & Marine business, which contributed to its exceptionally low combined ratio in the First Quarter. This is obviously attributable to luck as well as underwriting discipline and it is unlikely to persist indefinitely. Accordingly, while we expect that our performance will continue to benefit from the earn-out of higher rates and underwriting discipline, we also believe that there is a good chance we could see some reversion to higher historical levels of loss experience for large losses sometime in future quarters.

We are pleased that CCI's average US renewal rates increased by 8% in the First Quarter, continuing the favorable rate environment we experienced in 2012. This 8% is consistent with the average renewal rate increases we obtained throughout last year. In the First Quarter of this year, CCI secured average renewal increases in the US in every line of business, led by Workers' Compensation and General Liability, which were in the low double-digits. These lines were followed by Monoline Property, Package, Automobile, and Excess Umbrella, all of which were in the mid; to high single-digits.

Turning to markets outside of the US, CCI saw renewal rate increases in the low single-digits in both Canada and Europe. In Latin America and Asia-Pacific, renewal rates were flat to slightly positive. CCI's First Quarter US renewal retention was 84%, up 1 point from the Fourth Quarter of 2012. The new to lost business ratio in the US was 0.8 to 1 in the First Quarter, up from 0.7 to 1 in the Fourth Quarter. Renewal exposure change for CCI in the First Quarter was negative 1%. Likewise, a smaller premium contribution from CCI's endorsement and audit activity had a slightly negative impact on First Quarter growth.

Moving on now to Chubb's Specialty Insurance. We are very pleased by the progress we saw in the First Quarter. CSI's combined ratio improved to 87.4 from 93.6 in the First Quarter a year ago, reflecting enhanced profitability in both our Professional Liability and Surety lines. CSI's net written premiums increased 5% in the First Quarter to $632 million. We are especially encouraged by the improvement in Professional Liability, as we recorded a combined ratio of 92.4, compared to 98.5 in the First Quarter last year, reflecting the rate increases and culling actions that we have discussed with you on recent calls.

Net written premiums for Professional Liability were up 2% to $549 million. Average Professional Liability renewal rates in the US increased by 9% in the First Quarter. This compares to 4% in the First Quarter a year ago, and 9% in the Fourth Quarter. This is the sixth consecutive quarter in which we secured higher rates in our Professional Liability business, thus achieving continued rate on rate.

Each of our Professional Liability lines of business in the US experienced renewal rate increases in the First Quarter. The increases were led by Private Company D&O and Employment Practices Liability, both of which obtained increases that averaged in the low teens. These lines were followed by Not-For-Profit D&O, Public Company D&O, Crime, E&O and Fiduciary, all of which obtained average rate increases in the mid-single-digits.

In markets outside of the US, renewal rate increases for our Professional Liability business continued in the low single-digits, similar to what we obtained in 2012. Renewal premium retention for Professional Liability in the First Quarter was 81% in the US, identical to the Fourth Quarter. The new to lost business ratio for Professional Liability in the US in the First Quarter was 0.6 to 1, also unchanged from the Fourth Quarter of 2012. Endorsements had a slightly positive impact on Professional Liability growth in the US for the First Quarter.

Regarding the Surety portion of CSI, net written premiums in the First Quarter were up 30% to $83 million, and the combined ratio was, again, a very good 50.7 compared to 56.3 in the First Quarter of 2012. As we have mentioned in the past, Surety is a lumpy business. The large increase in premiums in the First Quarter of this year resulted from new bondable projects that were won by our existing US customers as well as from growth in Latin America.

And with that, I will turn it over to Dino who will review personal lines and our corporate-wide claim results.

Dino Robusto {BIO 15021398 <GO>}

Thanks, Paul. Chubb Personal Insurance had another very good quarter. Net written premiums increased 5% to $987 million. CPI produced a combined ratio of 87 compared to 85.5 in the corresponding quarter last year. The impact of catastrophes on CPI's First Quarter combined ratio was 3.9 points in 2013, of which 2.6 points were related to an increase in estimated personal line losses from Storm Sandy. In the First Quarter a year ago, the CAT impact on CPI's combined ratio was 1.2 points. On an ex-CAT basis, CPI's combined ratio was 83.1 in the First Quarter, compared to 84.3 in the First Quarter of 2012.

Homeowners' premiums grew 3% for the quarter, and the combined ratio was 82.5 compared to 80.1 in the corresponding quarter last year. CAT losses accounted for 6.1 points of the Homeowners' combined ratio in the First Quarter of 2013, compared to 1.9 points in the First Quarter of 2012. The 6.1 points of Homeowners' CATs in this year's quarter includes 4.1 points related to the increase in estimated Storm Sandy losses. Excluding the impact of catastrophes, the 2013 First Quarter Homeowners' combined ratio was 76.4, compared to 78.2 in the same period a year ago.

Personal Auto premiums increased 7%, and the combined ratio was 94, compared to 91.3 in the First Quarter of 2012. The strong growth in Personal Auto for the quarter reflected higher growth both in the United States and outside the US. In other personal, which includes our Accident, Personal Excess Liability and Yacht lines, premiums were up 9%, and the combined ratios was 94, compared to 97.3 in the First Quarter a year ago. The First Quarter of 2013 was the 10th consecutive quarter of net written premium growth in the US for both Homeowners and Personal Auto. Volatility retention in the First Quarter was 91% for Homeowners and 89% for auto, both of which are essentially unchanged from the Fourth Quarter of 2012 and the First Quarter of 2012.

In the First Quarter of 2013, we achieved Homeowners' rate net exposure premium increases, totaling 7% in the United States. Given rate changes either already approved or being planned for later this year, we anticipate the momentum of rate and exposure increases continuing throughout 2013. In short, we are very pleased with the performance and prospects of personal lines.

Turning now to claims corporate-wide, in the First Quarter of 2013, the CAT impact on the combined ratio was only 0.6 points, reflecting about $21 million of losses from three CAT events in the United States and one event outside the US, partially offset by about a $3 million decrease in our estimated losses from catastrophes which occurred in prior years. As John mentioned earlier, the overall growth in net loss numbers for Storm Sandy that we provided last quarter remained unchanged, although the amount of CPI losses increased slightly and the amount of CCI losses decreased by about the same amount. In dollar terms, the shift was about $25 million.

Now, I'll turn it over to Ricky who will review our financial results in more detail.

Richard Spiro {BIO 15061279 <GO>}

Thanks, Dino. As usual, I'll discuss our financial results for the quarter and I will also provide an update on the April 1 renewal of our major property reinsurance program. Looking first at our operating results, we had very strong underwriting income of $485 million in the quarter, a 60% increase over the First Quarter a year ago. Property and casualty investment income after tax was down 6%, to $288 million, due once again to lower reinvestment rates in both our domestic and international fixed maturity portfolio.

Net income was higher than operating income in the quarter, due to net realized investment gains before tax of $138 million, or $0.34 per share after tax, with $0.14 per share coming from our alternative investment portfolio. For comparison, in the First Quarter of 2012, we had net realized investment gains before tax of $56 million, or $0.13 per share after tax, of which $0.02 per share came from alternatives. Unrealized depreciation before tax at March 31, 2013, was $3.1 billion, which is unchanged from year-end 2012.

The total carrying value of our consolidated investment portfolio was $43.8 billion as of March 31, 2013. The composition of our portfolio remains largely unchanged from the prior quarter. The average duration of our fixed maturity portfolio is 3.7 years and the average credit rating is AA3. We continue to have excellent liquidity at the holding Company. At March 31, our holding Company portfolio had $1.9 billion of investments, including approximately $250 million of short-term investments. These amounts have already been reduced by the funds we set aside to repay $275 million of senior notes matured on April 1. Book value per share under GAAP at March 31 was $61.79, compared to $60.45 at year-end 2012. Adjusted book value per share which we calculate with available-for-sale fixed maturities at amortized costs was $55.57, compared to $53.80 at 2012 year end.

As for loss reserves, we estimate that we had favorable development in the First Quarter of 2013 on prior year reserves by SBU as follows. In CPI, we had approximately $5 million; CCI had $125 million; CSI had $55 million; and Reinsurance Assumed had $5 million, bringing our total favorable development to approximately $190 million for the quarter. This represents a favorable impact on the First Quarter combined ratio of about 6 points overall. For comparison, in the First Quarter of 2012, we had about $100 million of favorable development for the Company overall, including $30 million in CPI; $20 million in CCI; $40 million in CSI; and $10 million in Reinsurance Assumed. The favorable impact on the combined ratio in the First Quarter of 2012 was about 3.5 points.

For the First Quarter of 2013, our ex-CAT accident year combined ratio was 90.2, compared to 92.1 in last year's First Quarter. During the First Quarter of 2013, our loss reserves decreased by $343 million, including a decrease of $330 million for the Insurance business, and a decrease of $13 million for the Reinsurance Assumed business which is in run-off. The overall decrease in reserves reflects the decrease of $390 million related to catastrophes. The impact of currency translation on loss reserves during the quarter resulted in a decrease in reserves of about $70 million.

Turning to capital management. We repurchased 3.9 million shares at an aggregate cost of $326 million during the quarter. The average cost of our repurchases in the quarter was $82.86 per share. At the end of the First Quarter, we had $1.1 billion available for share repurchases under our current authorization. As we said on our last earnings call, we expect to complete this program by the end of January 2014. In February, as John mentioned, our Board raised the quarterly common stock dividend by 7% to $0.44 per share, or $1.76 on an annual basis. This was our 31st consecutive annual dividend increase, a continued indication of our consistent performance and financial strength in a cyclical industry.

I would now like to say a few words about our Reinsurance program. On April 1, we renewed our major property treaties, including our North American CAT treaty, our non-US CAT treaty and our commercial property per risk treaty. We renewed these programs with the exact same coverage structure as we had in 2012. The reinsurance market was orderly and there was plenty of capacity to meet our needs in each treaty. In terms of costs, we had a very modest increase for our North American CAT treaty, largely due to Storm Sandy, but after taking exposure into account, the price for this treaty actually declined in the low single-digits compared to last year. In addition, we received double-digit price decreases on each of the two other property treaties which we renewed. Overall, the aggregate cost of these three treaties will be moderately lower than last year.

Now I'll turn it back to John.

John Finnegan {BIO 1735942 <GO>}

Thanks, Ricky. In short, we had an outstanding quarter. Record operating income per share was driven by very strong underwriting results. Substantial realized gains reflected excellent investment performance and the combination of the two resulted in record quarterly net income per share and an ROE of 16.5%. On the underwriting side, we benefited from both very favorable prior period development as well as excellent current accident year performance. Favorable development came in at 6 points reflecting continued benign loss experience.

On the accident year side, we are also benefiting from favorable loss experience as well as the impact of continued rate increases. Our ex-CAT accident year combined ratio of 90.2 is almost 2 points better than last year's First Quarter and reflects strong contributions from all three business units, including significantly improved performance at CSI. Importantly, earned rate increases are now exceeding longer-term loss cost trends in all three of our major business units, ordering well for future profitability. Of course, results in any quarter are more a function of actual loss experience in that quarter than longer-term loss cost trend lines.

Over the last five quarters, our results have benefited from very benign ex-CAT loss experience, well below longer-term trends. We believe much of this improvement in loss experience reflects underwriting initiatives we implemented beginning in the second half of 2011 to cull our existing book and to greatly enhance our underwriting discipline as it relates to new business. On the other hand, we've undoubtedly also enjoyed a great run of good fortune in terms of non-CAT related weather and an unusually low level of other large losses.

As Paul mentioned, this is particularly illustrated by the Property & Marine line where our extremely low combined ratio this quarter benefited from the absence of almost any major fire or other large losses, an unusually positive occurrence which can hardly be attributed to underwriting discipline alone. In terms of the current environment, the market remains firm, as evidenced by the fact that we continued in the First Quarter to achieve mid; to high single-digit renewal increases in all of our business units, with generally stable retention levels.

Going forward, assuming we achieve rate increases at current levels, we will see continued margin expansion although results in any given quarter will be more a function of swings in actual loss experience than longer-term loss trends where we might expect some reversion to higher historical levels of loss experience for large losses as the year goes on. On balance, however, 2013 is off to a great start from both a market and profitability perspective. And we believe we have every reason to be optimistic about the rest of the year. With that, I'll open the line to your questions.

Questions And Answers

Operator

(Operator Instructions)

Mike Zaremski, Credit Suisse.

Q - Mike Zaremski {BIO 20606248 <GO>}

John, I know this isn't an exact science but if I understood your commentary correctly, it sounded like this was a very benign non-CAT weather quarter. I believe, I could be wrong, that I know last year was also benign not-CAT -- non-CAT weather. So was this quarter even more benign than 1Q '12, and is there any way to put some numbers behind how low it was versus, quote-unquote, normal?

A - John Finnegan {BIO 1735942 <GO>}

I think that we've had some good non-CAT related weather experience the last five quarters. Now, that's probably because we've had some pretty good weather. Although this quarter, it was a little bit different in that there were a number of storms and yet many are not CATs, and yet, they came in pretty good. But we're up, I think, maybe1 point in non-CAT related weather?

A - Dino Robusto {BIO 15021398 <GO>}

1.5 points in Homeowners against the First Quarter; it's still a little bit lower than our five-year average.

A - John Finnegan {BIO 1735942 <GO>}

Maybe 1 to 2 points below the five-year average? I would say -- so that's good. I would say the real -- the very benign loss experience we suffered, we enjoyed in this quarter really related more to a lack of major large losses. Some of that in Specialty, but primarily where you see the biggest impact would be in the Property & Marine line. Not -- There, obviously, our combined ratio is benefiting from another -- number of things. It's incredibly low at 60, right? It's benefiting from a number of things.

For one, you've got about a 5 or 6 point positive from the change in the estimate on Sandy. We also have some good favorable development against the year last year, where we didn't have positive development in the First Quarter. But -- and can't overlook the fact we've gotten substantial rate increases in that business for a couple of years.

A - Paul Krump {BIO 5211397 <GO>}

Over 20%.

A - John Finnegan {BIO 1735942 <GO>}

Yes, so that certainly impacted. But having said all of that, we had very few fire losses or other large losses in the quarter in the Property line.

Q - Mike Zaremski {BIO 20606248 <GO>}

Okay. That's helpful. And lastly, on Workers' Comp, one of your competitors put up reserve for legislation in New York related to reopened Workers' Comp cases. I was hoping you could comment on that and also just on loss costs in workers' comp. Thank you.

A - Dino Robusto {BIO 15021398 <GO>}

Okay. On the legislation, as you know, the legislation was just signed into law in April and it's got many facets. So, we're still analyzing the impact of the Reopened Case Fund being eliminated January 1, 2014. Our review to date indicates that in recent years, only a very small percentage of Chubb claims has been submitted to the fund, but we obviously need to complete our analysis on that. Just giving you some information on work comp, and just what we're seeing in terms of loss trends.

Now, I think it's important to keep in mind that our period-to-period claim stats may not be as indicative as the industry trends as we have less than about a 2% market share. But work comp new arise[ph] claim counts are down 3% and from a severity perspective, work comp claim costs in the First Quarter were somewhat favorable relative to longer-term trends in the mid; to high single digits. However, severity data is inherently noisy and considering the long-tail nature of these claims, our primary focus still remains on the longer-term trends.

Q - Mike Zaremski {BIO 20606248 <GO>}

If I can slip one in on workers' comp then. Lastly, the premium growth was flat versus high teens last year. Is that just lumpiness as well? Thanks.

A - Paul Krump {BIO 5211397 <GO>}

Mike, this is Paul. There's a number of factors that cause workers' compensation growth to be flat this past quarter. The first thing I would note is the comparable in the year-ago First Quarter was particularly strong at plus 23%, so we're comparing a relatively high base amount in terms of the various timing-related issues that can affect work comp premium. For one thing, the year-over-year change in audit endorsement premiums was slightly negative in the First Quarter this year compared to significant positive effect in 2012.

Then we also reduced our participation in a large work comp program last year and that had a slightly bigger negative impact this quarter than in the preceding few quarters. That effect was largely -- has largely worked its way through, though. So I want to make certain that you understand that should taper off from here. We also saw fewer favorable large new business opportunities and had a lower renewal retention compared to the First Quarter of 2012.

You have to keep in mind that workers' comp for us is only about 20% of our overall CCI book, which is going to be a much smaller percentage than most of our competitors. And most of our work comp business is written as part of an overall account. So that being the case, our goal is to have this line produce a consistent profit over the long term. This strategy, along with our underwriting discipline, will sometimes result in quarters where growth just lags or it surges. And going forward, I think bottom line what I'd say is that we think that it's likely that our work comp growth will be neither as small as it was in this past quarter nor as large as it was in the First Quarter of 2012. So hopefully that gives you a little bit of color on our thinking.

Operator

Jay Gelb, Barclays.

Q - Jay Gelb {BIO 21247396 <GO>}

My first question was on the negative 1% exposure growth in the quarter. That's a little contrary to what we would have thought given the improvement in the overall economy. So can you discuss that a bit?

A - John Finnegan {BIO 1735942 <GO>}

Sure. I'm going to -- I'll have Paul address that.

A - Paul Krump {BIO 5211397 <GO>}

Sure. First off, CCI renewal exposure change was just slightly negative. To put a little more color on it, we experienced some positive exposure increases in workers' comp. But we're dealing with a fairly sluggish economy, and we just -- I Just didn't see that -- see it as much as we normally would expect to see. But that said, it's been running at a pretty tight range here for the last couple years of negative 1% to plus 1%. So it wasn't all that surprising to us.

Q - Jay Gelb {BIO 21247396 <GO>}

Okay. And then on loss cost inflation, can you tell us about where you set your picks at for 2013 versus '12? And what type of underlying loss cost inflation are you assuming in the CCI book as opposed to the Specialty book?

A - John Finnegan {BIO 1735942 <GO>}

Talk about longer-term trend lines and loss cost being about 4% in CCI and 4.5% in CSI. That's the general. Each line, though, obviously has a significantly different trends, but that's going to be the long-term loss cost trends.

Q - Jay Gelb {BIO 21247396 <GO>}

So that means it's coming in where, 2% to 3%?

A - John Finnegan {BIO 1735942 <GO>}

Well, Jay, this is a -- it's not a science in this area. If you look at the Fourth Quarter of this year -- last year and our results and compare it to the Fourth Quarter of the prior year, you would have attributed a -- if you just did it mathematically and looked at the improvement in combined ratio, the improvement in combined ratio significantly exceeded what one would otherwise call margin expansion. That was the comparison of earned rate to long-term loss trend costs. In the First Quarter of this year, if you take the 5.5 point improvement of combined ratio, take out the 3 points of development, you get 3.5 points. You get 2 points of improvement in the accident year and it would, as it happens, mathematically margin expansion was about 2 points on average in our lines -- or aggregate in our lines.

So you wouldn't say -- you'd say maybe loss cost -- actual loss experience year-over-year First Quarter-to; First Quarter was about in line with the trend. There's no real science to that. It moves from period to period, though. One of the reasons is the Fourth Quarter of 2011 loss costs are very bad. The First Quarter of 2012, loss costs are pretty good. So I attributed the Fourth Quarter performance largely to better than -- loss cost better than long-term trends. The First Quarter I really can't do that except in the development area, it was very positive. Mathematically, it comes out to be about equivalent to margin expansion.

Q - Jay Gelb {BIO 21247396 <GO>}

Okay. And then can you comment on competition for new business, as opposed to your renewals?

A - Paul Krump {BIO 5211397 <GO>}

Sure. This is Paul again. I would tell you that the competition for new is still alive and well, and that is one of the reasons that you see our new to lost business ratios running where they are. Now, that said, I want to remind everybody, and John talked about this in his prepared remarks, that we had some experiences in the past that were pretty rough. In particular in 2011, we commenced on an action to tighten the gap between the performance of our new business versus our renewals and that meant the consequence of that was that we would see less new business. So we're being very disciplined in the amount of new business that we're taking on as respect the Standard Commercial lines and Professional Liability.

Operator

Amit Kumar, Macquarie.

Q - Amit Kumar {BIO 15025799 <GO>}

Two questions. The first question is on the CSI reserve release number of $55 million. Is that all favorable or was there any adverse in recent years which was more than offset by releases from prior years?

A - John Finnegan {BIO 1735942 <GO>}

No, the answer is that it was primarily 2008 and prior were the positives. You'd get -- in 2009 to '12, really, they come out pretty flat. Accident year 2011 was slightly favorable, '09 was slightly averse, '10 and '12 were close to flat. So you take '09 to '12 at flat.

Q - Amit Kumar {BIO 15025799 <GO>}

Flat, okay.

A - Richard Spiro {BIO 15061279 <GO>}

And then if -- you want me to give you a little color -- it's Ricky. Want me to give you a little color within the individual lines within that $55 million?

Q - Amit Kumar {BIO 15025799 <GO>}

Absolutely.

A - Richard Spiro {BIO 15061279 <GO>}

Okay, so within the $55 million in the quarter, both Professional Liability and Surety, although Surety to a far lesser extent, were favorable. The favorable development in Professional Liability was led by D&O, but also from Fiduciary and E&O and there was some modest adverse development in both EPL and the Crime and Fidelity lines. Hopefully that gives you a little more color.

Q - Amit Kumar {BIO 15025799 <GO>}

That's very helpful. Just related to that is, there have been some press reports regarding the News Corp[ph]. settlement and Chubb. I'm not sure, can you address that? And would that impact the Q2 numbers?

A - Paul Krump {BIO 5211397 <GO>}

This is Paul. Why don't I just -- first of all, just make the comment that we don't -- we're not going to comment on any specific matters or whether we provide insurance to any specific customer. Because this case though was reported in the press and it's a significant D&O resolution to a shareholder derivative action, I guess it would be fair to make a couple of general comments as it relates to our thinking.

First, the size of the reported settlement underscores the value that D&O coverage provides the publicly traded companies. And in particular, the protection that D&O insurance provides specifically for the individual directors via Side A coverage, who are the targets of such derivative -- security derivative actions. Second, from our underwriting perspective, it demonstrates the severity and potential volatile nature of settlement values in the D&O product line, which clearly, puts a premium then on vigilant underwriting, prudent risk selection, and appropriate pricing to fund for just such situations.

Third, I think it really underscores and supports the significant efforts we have been taking over the last couple of years to drive increased rate along with disciplined underwriting in the D&O line. Those underwriting and pricing efforts will obviously continue in 2013.

A - John Finnegan {BIO 1735942 <GO>}

I don't think you shouldn't -- Professional Liability, you shouldn't -- it's complicated. You can't equate -- if you take anybody who is insured in that, and I don't know who the insurer is on it, but if you look at the insurer. You can't equate the timing of the settlement to the timing of a charge to income. These things tend to be case reserved over time as they become more likely. Companies don't wait around until a settlement occurs necessarily to take them into account and they reserve positions and things. So it will be a simplifying assumption for any company to just -- when you hear about the settlement to think you've found someone who was insured to think it's going into the current quarter.

Q - Amit Kumar {BIO 15025799 <GO>}

Got it. Fair enough. I'll stop here. Thanks for the answers.

Operator

Michael Nannizzi, Goldman Sachs.

Q - Michael Nannizzi {BIO 15198493 <GO>}

Just trying to reconcile something here. So it looks like the underlying combined in CCI is about 96, I think, if my math is right. How do we -- is that right or --?

A - John Finnegan {BIO 1735942 <GO>}

96? What's your underlying mean, by the way?

Q - Michael Nannizzi {BIO 15198493 <GO>}

Ex development.

A - John Finnegan {BIO 1735942 <GO>}

Ex development underlying. All right. Well, if we look at the First Quarter, I guess calendar year --

Q - Michael Nannizzi {BIO 15198493 <GO>}

84 spot for you. Sorry.

A - John Finnegan {BIO 1735942 <GO>}

Accident year, ex-CAT was 91 as of --

Q - Michael Nannizzi {BIO 15198493 <GO>}

So 84 combined reported and then minus, you had a negative 1.7 points of CATs? Is that right?

A - John Finnegan {BIO 1735942 <GO>}

Yes.

Q - Michael Nannizzi {BIO 15198493 <GO>}

And then plus -- is that 9 points of development? 9.5 points, no?

A - John Finnegan {BIO 1735942 <GO>}

You've got to double -- you've got to watch when you have development in the CAT area. You can tend to double count, but our calendar year published was 81.9; Ex-CAT, 83.6; Accident year published, 91.5; Ex-CAT, 90.9.

Q - Michael Nannizzi {BIO 15198493 <GO>}

Got it. Okay, my mistake. My mistake. Well, I mean, still -- so last year -- so you've seen that number improve by about 5 points over the last year but you had rate at -- so you had 8 points of rate two years in a row. How does that work? Should we be seeing -- like what's the order of magnitude when you have the rate gains versus the change in the combined ratio?

A - John Finnegan {BIO 1735942 <GO>}

Well, I think if I look at accident year ex-CAT a year ago, it was 92.8. So you're talking about a 2 point improvement from the First Quarter of last year. So if you looked at margin expansion in the First Quarter, it was 2% to 3%, maybe about 3%, so you're saying that -- theoretical margin expansion is just theoretical, you'd say maybe losses were 1 point worse than long-term loss trend lines. Now that's cutting it pretty precise. Nothing's that scientific. So it performed along the lines of margin expansion.

But having said that, as Paul pointed out in his remarks, I mean, we had an awfully good quarter in terms of large losses. I mean, so you can't just extrapolate into the future like that. This quarter, Property & Marine was so good, that when one takes into account margin expansion, you also got to take into account what the base year is and whether it's indicative, it's truly indicative. I mean, you should extrapolate off it, and I'd say this First Quarter this year in commercial, especially the Property & Marine line, we're a little bit fortuitous in terms of large losses.

Q - Michael Nannizzi {BIO 15198493 <GO>}

Got you. Got you. And then on the Specialty side as well, I mean you've -- is it fair to assume that the development, most of the development is coming from Professional Liability or --?

A - John Finnegan {BIO 1735942 <GO>}

Yes, 90%.

Q - Michael Nannizzi {BIO 15198493 <GO>}

So and -- just maybe my math won't be right here, but we calculate that number to about 100 -- it would be like 102, which is just a couple points better than it was a year ago. I'm just trying to reconcile that versus 13 cumulative points of rate gain that you -- 4 points in the First Quarter last year, 9 points this year. How would -- is it -- are you setting your loss picks higher than where you expect to be, so you're building more reserves? Or I would just think of that underlying would be improving much more rapidly.

A - John Finnegan {BIO 1735942 <GO>}

First of all, you'd have to look at the earned rate improvement that in the -- if you look at margin expansion versus the earned rate versus longer-term loss trend lines, First Quarter, you're only talking about an improvement of about 1.5 points. You're accumulating 13 points written, not taking into account earned, not taking into account overseas and not offsetting by long-term trend lines. So really, on a margin expansion basis, if I took the rate increases, diluted them by the lesser rate increases we're getting overseas, took them over time and took into account the expected loss cost trends over that time, I'd have expected about 1.5 point improvement in the First Quarter on accident year. Now, the answer is pretty good. We did have about a 2 point -- we were at about 100 in combined ratio, and our accident year is about 100 in Professional Liability this quarter.

Q - Michael Nannizzi {BIO 15198493 <GO>}

Right.

A - John Finnegan {BIO 1735942 <GO>}

Now, we're -- our reported combined of 92.4 is significantly higher than the -- so let's compare it maybe to the First Quarter of last year. It's about 4 points better, of which 1 point was loss, 3 points was -- 1 point was expense, 3 points were loss. You compare it to the Fourth Quarter of last year. It's only about 1.3 points better, so the last quarter; but prior period development was 0.5 point less, so let's call it 2 points better.

But due to the significant seasonality in the quarter-over-quarter expense ratios, our expense ratio was 4.4 points lower in the Fourth Quarter of last year. Now that was also helped by the treatment on incentive compensation due to hurricane -- due to Superstorm Sandy. So our loss ratio actually improved by 6 points from the last quarter of 2012. So nutshell, loss ratio deteriorated over the year 2012. We had a 2 point better loss ratio, First Quarter to First Quarter, and we had a 6 point better loss ratio, First Quarter to Fourth Quarter.

Operator

Josh Shanker, Deutsche Bank.

Q - Josh Shanker {BIO 5292022 <GO>}

Want to talk about two items. The first one is that, John, you were very pleased with Professional Liability, citing combined ratio from First Quarter '12 of 99 going down to 92 in First Quarter of '13. I also note that it was an 87 back in the First Quarter of 2011. I realize talking about different quarters is foolish in this industry, but maybe we can understand how much of this is pure rate? How much is loss trend? Was 2011 a particularly good year? Is 2013 more normal? Can we make any statements of this nature?

A - John Finnegan {BIO 1735942 <GO>}

We know that Professional Liability performance has deteriorated over the last year. I talked about it at great length. 2011, a particularly good year at 87. I don't have the data in front of me. I'd say compared to what else happened in the rest of the -- from 2005 to 2010, I would think it wasn't particularly good. We had some better years over that period, sure. We had substantial favorable development.

If you remember, we got huge rate increases in the 2003 and '04 period after the WorldCom and Enrons. You had a lag impact. We had a lot of development in the later 2000s. But the net impact, what occurred is that, over a period from 2005 to 2010 or '11, we lost 10 points in rate. Rate went down 10 points. Cost pressure increased. You had the credit crisis. You had some, not directly credit crisis, but economic-related stuff in Crime and Fidelity.

So listen, the bottom line is we've expressed an unhappiness with where our Professional Liability was running. We think this is a good improvement, but this is a long-tail line of business. We'll see if it all comes out this way. But we still have a long ways to go. We've got to get rate and we've got keep up our culling actions. But we think is a good step in the right direction. But no, you're know you're going to get to the low 90s in this business, and I mean that on an accident year basis, not on a reported basis to meet targeted returns. And we're not there yet, but a step in the right direction.

Q - Josh Shanker {BIO 5292022 <GO>}

Okay. Thank you. And the other question was to what extent are clients wanting to buy less coverage in the face of rising rates?

A - Paul Krump {BIO 5211397 <GO>}

Josh, this is Paul. We're not seeing anything new on that horizon. I think when the financial crisis hit a couple years ago, we saw some people asking for options around deductibles. They might have been lowering their umbrella and excess limits a little bit to try to ease the squeeze there. But quite frankly, that hasn't been anything that's really been impacting us much in the last couple years.

Q - Josh Shanker {BIO 5292022 <GO>}

Okay. Well, thank you. Congratulations on the quarter.

Operator

Jay Cohen, Bank of America-Merrill Lynch.

Q - Jay Cohen {BIO 1498813 <GO>}

Just first, I want to understand. The development that you gave as the prior year development, that includes the change in the Sandy loss; correct?

A - John Finnegan {BIO 1735942 <GO>}

Yes.

Q - Jay Cohen {BIO 1498813 <GO>}

Okay. So we need to adjust either that number or the CAT number to make sure we're not double counting?

A - John Finnegan {BIO 1735942 <GO>}

Yes. So to give you an example, on development, if you looked at CPI, they only had a 0.5 point of positive development, but if you took out the Sandy loss, they had 3.1. In CCI, you go the other way. They had 9.6 reported, but 7.3 if you adjust it excluding the CATs. That give you a feel?

Q - Jay Cohen {BIO 1498813 <GO>}

That's helpful. That's helpful. And maybe the question is on the CCI development. Even if I take out the positive development from Sandy, it looks like a fairly robust number, and you gave us some of the details on the CSI development. I'm wondering if you can do the same for CCI?

A - John Finnegan {BIO 1735942 <GO>}

I'm going to ask Ricky to do that. Let me point out last year, we had very little development in the First Quarter in CCI. It ran about 5 to 6 points in the second and Third Quarters, but it ran 8 in the Fourth Quarter. So it's 7.3 excluding CATs, they were certainly better than we ran for the year last year, but was down a little from the Fourth Quarter. Ricky, why don't you talk about the --

A - Richard Spiro {BIO 15061279 <GO>}

Sure. So again, just to level sets -- the total development we saw from CCI in the quarter was $125 million, and all four of the lines within CCI were favorable. It was led by the Property & Marine line, partly due to what we just talked about, the change in the Sandy estimate. And then we also had favorable development in some of our other short-tail lines like C&P property. And then the favorable product development in Casualty was driven mainly by excess umbrella.

And workers' comp was also slightly favorable. And the one area where we had a little bit of adverse development was in the A&E area, almost all due to the environmental side of it. But that hopefully gives you some idea of what was happening underneath.

Q - Jay Cohen {BIO 1498813 <GO>}

And then accident years, I assume some of the later years as well, except for the property stuff?

A - John Finnegan {BIO 1735942 <GO>}

I think -- I don't -- CCI, I will say in general, all of the -- all of our accident years were good business. We didn't have any adverse accident years. Short-tail development came from accident year 2011 and 2012 and most of the long-tail development from 2010 and prior and probably most of the development is long-tail rather than short-tail, so --.

Operator

Meyer Shields, KBW.

Q - Meyer Shields {BIO 4281064 <GO>}

Two questions, if I can. One, when we focus on CSI, I think the new to lost ratio was 0.6 to 1.

A - John Finnegan {BIO 1735942 <GO>}

Yes.

Q - Meyer Shields {BIO 4281064 <GO>}

Is it fair to assume that after you go through about a year of that, you've disproportionately lost most of the least profitable accounts and therefore, that ratio should improve?

A - John Finnegan {BIO 1735942 <GO>}

We've talked in the past that we have a very targeted effort in terms of which accounts we're looking to cull directly, which accounts we're looking to perhaps cull indirectly by requesting rate increases we need, where there's a dramatic rate increase is required. I think we've given -- I don't know. Do you have updated statistics, Paul on which areas by segment where we -- what stuff come out?

A - Paul Krump {BIO 5211397 <GO>}

Sure, John. Meyer, just to think about this, our starting point really is the accident year currently at 100. And what John said just a few minutes ago is first and foremost in our mind, and that is we have to be in the low 90s on an accident year basis. So we are taking a very tough, decisive action on this book of business to get there and that means we continue to push rate pretty much across the board.

Now that said, there are obviously cohorts and accounts that are adequately priced and there are others that need a fair amount of rate. So we take it down to a very granular level and it's by product and we think about it by jurisdiction. But we are certainly out there pushing for rate in that area and that will, of course, mean that we're also taking a very disciplined eye towards the new business, just because we see sometimes business coming to market because the agent is hearing the incumbent wants to raise the price, whatever, X, 10%. But in reality, we might price that thing up and say it needs to be closer to, say, a 30% increase.

Now, when John talks about the tiering, I'd -- or that what we used to call or sometimes refer to as the star system. Think of it like movies, five star is great, one star is not that great of a movie. So in our five-star range, we basically got low single-digit rate increases and had nearly 90% retention. Around then in our one-star accounts that were the worst, quite frankly, we were pushing up over close to 30% rate increases. But there, we only renewed right between 65% and 70% of those accounts. So hopefully that gives you a sense of how we're attacking the book.

Q - Meyer Shields {BIO 4281064 <GO>}

No, it does. That was very helpful. What I'm wondering is, after we go through one or two years of that, then there should be much less business in the fewer stars category because either it's gotten the rate or it's gone away.

A - John Finnegan {BIO 1735942 <GO>}

Yes. But of course if you're still at 100, you still have a good deal -- just by the law of averages, you must still have a good deal of business that's above 100 and is not generating attractive returns, so you still have to get at that. You got to have -- to have a 100 average, you got to have some 110s and 120s still in your book.

Q - Meyer Shields {BIO 4281064 <GO>}

Okay, that's helpful. Second question, I think I've asked this in the past. With regard to workers' compensation or really any line of business exposed to medical inflation, are you pricing it at long-term inflation or is there a higher inflation rate because of the uncertainty as healthcare reform is enacted or implemented?

A - Paul Krump {BIO 5211397 <GO>}

When we think about the long-term trend lines that John was talking about, say 4% for CCI, that's obviously a composite number of all the products and we think about the mix. So workers' comp has a higher number. Within workers' compensation, different states will have a higher number. California, for example, would be much higher than the typical state. We think about permanent, partial disabilities, and many other factors when we think about medical inflation.

Operator

Vinay Misquith, Evercore Partners.

Q - Vinay Misquith {BIO 6989856 <GO>}

Just a follow-up on the pricing question. And it's admirable that you guys are going for the 90%, I mean a low 90%s combined on the professional lines. But just curious, given the environment and given the economy we're in, how possible is that and what's your view on that? And given where the stock is trading and the trade-off versus buying back stock versus writing new business, how do you look at pricing both on the Professional Liability side as well as on the normal Commercial line side?

A - John Finnegan {BIO 1735942 <GO>}

Vinay, I'm glad you think it's admirable we're aiming for 92. It would be more admirable if we achieved it, of course. The -- how possible is it? Well, when you're at 100, and you were at 102, you're coming in the right direction but it obviously takes a lot of work to get there.

I might also point out we're at 100 in the First Quarter. The expenses are seasonally higher in the First Quarter. If we were in the same loss ratio for the balance of the year, we might be at 98 in the Fourth Quarter. That's still a long way from 92. If you're getting 8% or 9% rate increases for a couple of years, it becomes possible. But setting targets is easy; achieving them is hard.

And we've got to -- we have a ways to go, but we think we're taking a step in the right direction and this has been a line that's performed very, very well over the last 10 years. I will point out it's had a significant amount of favorable development. So you could go back to even the halcyon years in 2005 and 2006 and where we recorded low 80s combined ratios and you would find that our accident year combined ratio was still low to mid-90s at a minimum. So this is -- it's not unusual that we have fairly high accident year combined ratios in Professional Liability. Now, I think I'll turn it over to Ricky to your trade-off question.

A - Richard Spiro {BIO 15061279 <GO>}

Sure. Obviously, when we think about our excess capital position and what we want to do with it, we take into account a number of factors, including, do we have opportunities to invest in our existing businesses? I think where we sit here today, we think that we have enough excess capital not only to continue with our share buyback efforts but also to support our existing business and any growth that we see in the foreseeable future. And the short answer to come back on the buyback front is that we remain committed to returning excess capital to our shareholders and we continue to believe that our shares are attractively priced. And as you point out, the price of our stock has risen recently and obviously, the price-to-book multiple has as well.

On the other hand, we believe that our price-to-book valuation still remains attractive based on historical levels and don't forget interest rates still are very low, making alternative investments somewhat less attractive. So balancing these considerations as well as a number of factors that we take into consideration when thinking about a buyback, we still see attractive economic opportunities at repurchasing our shares at our current price. So I think we're going to continue to do both and we can make appropriate investments in our Business as we see fit.

Q - Vinay Misquith {BIO 6989856 <GO>}

Sure, that's helpful. Just as a follow-up, how receptive are clients right now to rate increases? Through seeing your retentions stay pretty flat so it seems that there's no change in client behavior. But just curious as to how it is, and how you think it's going to move within the next nine months? Thanks.

A - John Finnegan {BIO 1735942 <GO>}

Well, the people in the one-star getting those 42% increases aren't too happy, I'm sure. I think that, I mean, nobody's happy to get an increase, no matter what the reason, right? But the market is up. I think in Professional Liability, we've been encouraged by the fact that we think we led that market but we think the market environment there has improved significantly. So you hear people reporting on calls that they're getting rate increases in lots of lines of business at high single-digits and Professional Liability, I think all the indicators are that, that market has firmed.

So I mean, as you say, we haven't seen -- we've seen a decline of -- in retention from a -- you go back a year or two, but we weren't -- we writing business probably we shouldn't have been writing. So hopefully, most of the retention we've lost has been in the areas we wanted to lose it, or we weren't able to give the rate base the customer wanted, so --. I mean, the market stats over the last three quarters have been pretty consistent in terms of rate and retention, so I guess that's the best indicator rather than anecdotal evidence.

Operator

Josh Stirling, Sanford Bernstein.

Q - Josh Stirling {BIO 17463087 <GO>}

So just a quick question, well, two actually. First, we're halfway presumably into a cycle. I'm wondering if you can give us any visibility? Are there any product areas or product lines, regions, anything, any place you operate where you feel like you're starting to see more competition rise or has it been a stable environment over the past year?

A - Paul Krump {BIO 5211397 <GO>}

This is Paul again. Again, I think just what John said. We've seen the market become a little less competitive in the Professional Liability scene here in the United States. The Australian property market, frankly, would be an example of some place I'd say that the last couple years, we were seeing significant rate increases given the severity of the weather there and that has slowed down, abated a little bit. Chile, after the last earthquake, was a very hard market. Small, but it was a very hard market and that's abated after a few years of very large cumulative rate increases. So again, you have to think about this by line, by country. Within big countries like the United States, it can boil down to geographies and sometimes even neighborhoods.

Q - Josh Stirling {BIO 17463087 <GO>}

Got it. Outside looking in, this is an odd market because there's some people that are very constructive on growth in this environment. I think you guys are famously not. Wondering how you'd help investors think that through, and just if I ask the anecdotal question, just because it sprung into mind when you made the point about the 42% rate increase, I'm wondering what price do you think that the market, when that customer ultimately renews to somebody else, how much of an increase they're actually taking? Then I'll drop off. Thanks so much.

A - John Finnegan {BIO 1735942 <GO>}

I don't know. The statistics that Paul gave you, about 60% to 70% of those people were retained at those rate increases we were talking about. So for a lot of them, there weren't a lot of good alternatives. These are accounts that have challenges. But obviously, the ones that don't come back are probably getting better rates. I don't really -- I can't really tell you the answer to that question.

Operator

Did you have any further questions?

Q - Josh Stirling {BIO 17463087 <GO>}

I'm sorry. Thank you.

Operator

(Operator Instructions)

Ian Gutterman, Adage Capital.

Q - Ian Gutterman {BIO 3106649 <GO>}

Just a follow-up on a couple of the earlier questions on CCI. John, you said the -- I was a little confused when you said the accident year ex-CAT improved 2 points this quarter. But then you also said the fire losses were extremely low. So if I were to guess, that was maybe 1 point or 2. It seems the ex, ex, ex underlying is flat. So why wasn't there more improvement?

A - John Finnegan {BIO 1735942 <GO>}

Well, Ian, there's a lot of moving parts. I mean, what we said was that -- let's inventory what we said. We said the accident year improved by 2 points. We said also we were coming off a pretty good quarter last quarter where -- First Quarter last year. It was a quarter which was benign on ex -- on non-CAT related weather. We did have a very favorable loss experience large losses this quarter.

But we also had pretty good favorable experience First Quarter last year on large losses, not as good. But just doing your math, if you take a 1.5 point in Personal lines from non-CAT related weather, you take 1 point or whatever you estimate on large losses in Commercial, they offset and give you the 2 point improvement, which is in line with the margin expansion in the Company. And that's not a CCI thing. It's a -- the ex-CAT you're talking about is for the Company as a whole, 2 points.

Q - Ian Gutterman {BIO 3106649 <GO>}

Got it. Got it. Okay. And then the other one is just when I was looking at the releases in CCI for the last two quarters, Q4 was -- since you've been disclosing this, Q4 was a record high of releases and Q1 just beat it. I know part of that's Sandy. But basically, you've had your two best quarters of releases in CCI in this hard market. I'm just wondering, you obviously gave some detail on lines but what's driving releases to reach new heights?

A - John Finnegan {BIO 1735942 <GO>}

Well, I mean, CCI, if you look at it, I think you'd agree, you should look at it ex-Sandy, right? It was 7.3. We ran 8.2, we'll just say; last year, we ran in the 5s. So it's a little bit higher, but it was -- but last year, the First Quarter we ran 3. So Property, I think the big driver this quarter that was out of the ordinary was a terrific experience in Property & Marine that we went the opposite way in the First Quarter of last year. And that was what drove it up this year. We also -- we continue to have a good underlying in Casualty but the Property & Marine is probably what drove it up in the First Quarter of this year.

Q - Ian Gutterman {BIO 3106649 <GO>}

Got it. Thanks. And then just my last one, Ricky, this is a little bit of a minutia, but the difference between your stat and GAAP expenses is the -- basically deferrals was $41 million which again is abnormally high. I just was wondering, anything unusual there or is this just a new DAC account that's causing a change in deferral patterns versus the past or --?

A - Richard Spiro {BIO 15061279 <GO>}

It's because the expense ratio was up a little bit.

Q - Ian Gutterman {BIO 3106649 <GO>}

The stat expense ratio or the GAAP expense ratio?

A - Richard Spiro {BIO 15061279 <GO>}

The GAAP.

Q - Ian Gutterman {BIO 3106649 <GO>}

Okay. GAAP was-- okay, so that was a one-time thing, and shouldn't expect it to repeat?

A - John Finnegan {BIO 1735942 <GO>}

Well, in terms of GAAP expense ratios, we have no reason to believe it's going to have a significant increase in our GAAP expense ratios this year versus last. It could move 1 point in either direction. But it probably will be a little higher this year just simply because last year, we benefited because -- we benefited from the Sandy in terms of the impact on the incentive accrual.

Q - Ian Gutterman {BIO 3106649 <GO>}

Got you.

A - Richard Spiro {BIO 15061279 <GO>}

But other than that, it shouldn't move too much one way or the other.

Q - Ian Gutterman {BIO 3106649 <GO>}

Okay, that's all I had. Thanks, guys. Good luck.

Operator

At this time, we have no further questions. I'll turn things back over to management for any closing or additional comments.

A - John Finnegan {BIO 1735942 <GO>}

Thank you, very much and have a good evening.

Operator

Once again, that concludes our conference. Thank you, all for joining.