Q1 2019 Earnings Call

Company Participants

- Albert A. Benchimol, President and Chief Executive Officer
- Matthew Rohrmann, Head of Investor Relations
- Peter Vogt, Chief Financial Officer

Other Participants

- Amit Kumar, Analyst
- Brian Meredith, Analyst
- Clifford Gallant, Analyst
- Elyse Greenspan, Analyst
- Jay Cohen, Analyst
- Joshua Shanker, Analyst
- Meyer Shields, Analyst
- Michael Phillips, Analyst
- Yaron Kinar, Analyst

Presentation

Operator

Good day, and welcome to the AXIS Capital's First Quarter 2019 Earnings Conference Call. All participants will be in listen-only mode. (Operator Instructions)

After today's presentation, there will be an opportunity to ask questions. (Operator Instructions)

Please note this event is being recorded. I would now like to turn the conference over to Matt Rohrmann, Head of Investor Relations. Please go ahead.

Matthew Rohrmann {BIO 15132648 <GO>}

Thank you, Sean. Good morning, ladies and gentlemen. I'm happy to welcome you to our conference call to discuss the financial results for AXIS Capital for the first quarter and period ended March 31st, 2019.

Our earnings press release and financial supplements were issued yesterday evening after the market closed. If you like copies, please visit the Investor Information section of our website at axiscapital.com.

We've set aside an hour for today's call, which is also available as an audio webcast through the Investor Information section of our website. A replay of the teleconference will be available by dialing 877-344-7529 in the US and the International number 412-317-0088. The conference code for both replay dial-in numbers is 10130161.

With me on today's call are Albert Benchimol, our President and CEO; and Peter Vogt, our CFO. Before I turn the call over to Albert, I'll remind everyone that the statements made during this call, including the question-and-answer session, which are not historical facts, maybe forward-looking statements. Forward-looking statements involve risks, uncertainties and assumptions. Actual events or results may differ materially from those projected in the forward-looking statements due to a variety of factors, including the risk factors set forth in AXIS's most recent form on 10-K, as well as the additional risks identified in the cautionary note regarding forward-looking statements and our earnings press release issued yesterday evening. We undertake no obligation to update or revise publicly any forward-looking statements.

In addition, this presentation may contain non-GAAP financial measures. Reconciliations are included in our earnings press release and financial supplement, which can be found on the Investor Information section of our website located at axiscapital.com.

With that, I'd like to turn the call over to Albert.

Albert A. Benchimol {BIO 2023727 <GO>}

Thank you, Matt. Good morning, everyone, and thank you for joining our first quarter call.

We brought our performance back to double-digit operating ROE on an ex-PGAAP basis this quarter, in-line with the results we produced in the first nine months of 2018. The underlying results improved for all of our lines, other than the two that were affected by large industry losses. This reflects the disciplined actions we've taken in recent years to strengthen our market position, improve our portfolio profitability, and reduce volatility.

While catastrophe activity was lower this quarter, we did absorb meaningful marked increases in loss estimates for the Japanese windstorms Jebi and Trami, all of which led to an ex-PGAAP operating ROE of 10.2% for the quarter. As we progress further into 2019, we remain steadfast in sustaining our momentum.

This explains the small reductions in gross written premiums in the quarter. Our new business production was more than offset by reductions from canceled or non-renewed business that is no longer in alignment with our profitability and volatility goals. Separately, we're also pushing forward on a number of exciting initiatives that will advance our leadership, put more tools in the hands of our underwriters, and increase our responsiveness to our clients and partners in distribution.

We're entering the final stages of integrating Novae into our business. In less than a year and a half, we've brought our organizations together and are operating as one company.

The combined book was renewed into a single syndicate at January 1, and next Monday we're scheduled to move all of our London teams into a single office.

To the credit of our team and the very hard work done by many individuals within our combined organization, we successfully integrated our companies, pursued more than $60 million in synergy savings, and strengthened our position in a market that is much more attractive today than it was at the time of the purchase. This gives me great confidence that the acquisition will ultimately be judged as a significant positive for AXIS.

We've also continued our enterprise-wide efficiency drive. As of this quarter, our combined net savings from integration and transformation activities amounted to $69 million on an annualized basis against our target of $100 million, which we intend to reach by the end of 2020.

These net savings are net of incremental investments in our future. These include advancing initiatives to enhance enterprise agility, grow our digital, technology, and new product capabilities, and better leverage data to support our underwriting. Perhaps most importantly, we've invested in growing our talent, which will ultimately drive our success.

With all this activity and progress, we remain confident that we are well on our path to leadership in key markets, generating profitable growth, and improving our performance to consistently deliver double-digit ROEs.

Later during the call, I'll speak on some of the trends that we're seeing in the marketplace. But now, Pete will walk us through our first quarter results. Pete?

Peter Vogt {BIO 17059745 <GO>}

Thank you, Albert. And good morning, everyone. As Albert stated, in the first quarter of 2019, we brought our performance to be more in line with the progress that we've seen during most of 2018, and we continue to strengthen our market position. During the quarter, we generated net income of $98 million. On an ex-PGAAP basis, our operating income was $112 million, generating an ex-PGAAP annualized ROE of 10.2%.

With regard to the acquisition of Novae, in the quarter we recognized amortization of intangibles of $16 million, including amortization of VOBA of $13 million. This expense affected the company's consolidated operating income but was not included in the segment results.

Underwriting income in the quarter continue to include the earn-out of Novae's unearned premium as of the closing date. This was without the recognition of associated acquisition costs since the DAC asset was written off at closing. DAC would normally have been amortized into acquisition costs, and we estimate that the consolidated acquisition cost on an ex-PGAAP basis would have been $6 million higher resulting in an ex-PGAAP acquisition cost ratio of 23.5% versus the reported 23%.

We believe the best way to discuss results is on an ex-PGAAP basis, which is a better representation of the running rate performance of the business. In the quarter, the net drag on operating income from the VOBA-DAC adjustments was $8 million after-tax, or approximately $0.10 per share. As we've previously disclosed, we expect the VOBA impact to be minimal beyond mid-2019.

Some quick highlights for the quarter. Our current accident your loss ratio ex-cat and weather was modestly higher than the first quarter of 2018, but significantly improved from the fourth quarter and improved from last year's full-year results. Cat loss experience in the quarter was minimal at $11 million compared to $35 million a year ago. And the decline of favorable prior year development in the quarter was largely attributable to increases in our estimates for Japanese typhoons, Jebi and Trami.

Moving into the details of the consolidated income statement. The current quarter consolidated combined ratio is 96.9%, an increase of just over six points from the first quarter of 2018. As I mentioned, both quarters' combined ratios benefited from a lower level of acquisition expense due to the purchase GAAP adjustments. On an ex-PGAAP basis, the current quarter and prior year quarter consolidated combined ratios were 97.4% and 94.3%, respectively. On this comparable basis, the current quarter combined ratio was just three points higher than last year. This increase is largely driven by a decrease in favorable prior year development.

We reported net favorable prior year development of $15 million in the quarter. Of this, $7 million came from insurance and $8 million came from reinsurance. The year-over-year decrease in favorable prior year development was primarily due to a $33 million increase in our loss estimate for typhoons Jebi and Trami, especially with respect to Jebi, where we increased our market loss estimates to $12 billion to $13 billion. This increase was centered in the reinsurance segment and depressed their favorable prior year development in the quarter.

In the quarter, in both reinsurance and insurance, every business unit, except property, had favorable prior year development. The current consolidated accident year loss ratio ex-cat and weather increased by six-tenths of a point. This was driven by mid-sized losses in aviation and marine, partially offset by the favorable impact of rate and trend.

The consolidated acquisition cost ratio was 23%. We think the best way to look at this ratio is adjusting for PGAAP. So on an ex- PGAAP basis the ratio was 23.5%, an increase of half a point over the comparable ratio in the prior year. This increase was primarily driven by mix and the impact of reinstatement premiums. We expect this ratio to continue to trend at 23% on an ex-PGAAP basis for the year.

During the quarter, the consolidated G&A expense ratio of 15.4% increased by almost a point compared to the first quarter of 2018. The normalized G&A ratio this quarter would have been 15.1%, which is comparable to the normalized first quarter of 2018 ratio. Typically, our first quarter G&A ratio tends to be higher and my expectations for the full year is that this will be in the mid-14 range. We continue to be on schedule to achieve our net annual savings of a $100 million compared to that 2017 run rate. In the quarter we had net annualized savings of $69 million. This is up from the first quarter last year, but only up marginally from the fourth quarter. While we've made tremendous progress in 2018 on gross savings and got out ahead of any investments, in 2019 we are starting to invest. As I discussed in the last call, I expect the net savings to materialize slower in 2019 and then ramp up again in 2020.

Non-operating reorganization expenses of $15 million were recognized in the quarter. These were associated with our Novae integration and our transformation initiative. Fee income from strategic capital partners was $20 million compared to $13 million in the prior year quarter. This important part of our business continues to grow well.

We will now discuss the underwriting results of both insurance and reinsurance segments. Let's begin with insurance. The insurance segment reported decrease in gross premiums written of $30 million in the first quarter. This was due to a significant decrease in property, partially offset by increases in liability, marine, and professional lines. Insurance property gross premiums written decreased by $95 million in the quarter or 32% year-over-year. As we discussed in previous quarters, we have exited some program business. We have non-renewed other property business where we continue to hold our pricing discipline.

Offsetting the drop in property, we saw favorable new business opportunities in liability, especially in US excess casualty and US primary casualty and in professional lines, mainly cyber. The insurance segment current accident year lost ratio ex-cat and weather of 56.2% increased by just under two points from the first quarter of last year. The increase was primarily driven by mid-sized losses in aviation and marine, which contributed just more than two points to the current quarter loss ratio. In addition, the loss ratio was impacted by changes in business mix as we earned less premium in property and more in liability and professional lines. This resulted in almost a point increase in the loss ratio. However, this mix change was more than offset by the favorable impact of rate trend.

This quarter pre-tax catastrophe and weather-related losses were only $8 million in insurance primarily attributable to weather-related events compared to $28 million in the same period in 2018. The insurance segment acquisition cost ratio was 21.2%. Again, we think the best way to look at this ratio is adjusting for PGAAP. So on an ex-PGAAP basis, the ratio was 22.3, an increase of six-tenths of a point over the comparable ratio in the prior year. The increase was driven by mix of business, the impact of reinstatement premiums, and profit commissions.

During the quarter we saw solid results within our reinsurance business. Reinsurance segment reported decrease in gross premiums written of $50 million in the first quarter. However, adjusting for FX the decrease is only $9 million. This decrease is principally due to non-renewals largely related to underperforming business in motor, credit and surety, and property. These decreases were offset by new business growth in catastrophe, A&H, and liability. I would add that while our growth in cat gross premiums was 27%, on a net premium basis, catastrophe grew only at the high-single digits.

The reinsurance segment's current accident year loss ratio, ex-cat and weather, is 61.5%, improved by just over half a point. The improvement is driven by favorable experience in most lines, especially in credit and surety. This was somewhat offset by aviation losses in the quarter. Reinsurance pre-tax catastrophe and weather-related losses were $3 million, primarily attributable to weather-related events this quarter. This compares to $7 million in the same period in 2018. The reinsurance segment acquisition cost ratio of 24.7% was a half a point higher compared to prior year driven by the impact of retro contracts in catastrophe and liability lines, partially offset by the favorable impact of loss-sensitive features in agriculture.

Net investment income of $107 million for the quarter increased from $101 million in the first quarter of 2018. This was due to an increase in income from fixed maturity contracts attributable to the increased US Treasury interest rates. And this was partially offset by a decrease in income from alternative investments, in particular income from credit funds. These alternative investments are reported on a lag and were adversely impacted by the declining credit markets in the fourth quarter. We expect the positive first quarter performance of these funds to be reflected in the second quarter. Our current book yield is 3.1% and our new money yield is also 3.1%. The duration of the portfolio continues to be approximately three years.

With respect to capital actions, I would note that on April 1st, we repaid an outstanding $250 million note. As you recall, we raised the funds to repay the note in December of 2017 at favorable terms. While the note is on our March 31st balance sheet, as we report the second quarter, you will see our financial leverage ratios come down.

Lastly, diluted book value per share increased by 5.8% in the quarter to $52.84. This was principally driven by net income generated and unrealized gains on investments, and partially offset by common dividends.

That summarizes our first quarter. And with that, I'll turn the call back over to Albert.

Albert A. Benchimol {BIO 2023727 <GO>}

Thank you, Pete. Let's discuss market trends and our positioning, and then we'll open the call for questions. We've now experienced five successive quarters of rate increases in our portfolio, and I'm optimistic that the market will continue to head in the right direction.

Within insurance we generated average rate increases of 4% across the entire book. In our US division, average rate increases were nearly 9% for the quarter. Rate was led by US casualty in both primary and excess, which both delivered increases of about 12%. E&S property was up 8%, and we produced rate increases of close to 5% within our US program business. Overall, 89% of the US book renewed flat to up in the quarter.

Within our North American professional lines division rate change was higher than it's been in recent quarters, at nearly 2%. D&O was up over 4 points, while E&O lines were flat on average. In our London-based international insurance division, the average rate increase was in excess of 3% for the quarter, but with a very wide range. Professional and casualty lines were up 9%, while US property, aviation, and renewable energy averaged about 5%. 96% of the international book renewed flat or up with the exceptions of terrorism and political risk, both of which experienced strong results in recent years.

Overall, there is renewed discipline in the London market, driven largely by recent actions by Lloyd's including the Decile 10 program. We expect this better environment to extend into the rest of 2019 and next year. Given our company's increased presence in London and at Lloyd's following the Novae acquisition, we believe AXIS is very well positioned to benefit from these improvements.

In summary, about 93% of the total insurance book renewed flat or up. Importantly though, improvements are not limited to rates but also extend to terms and conditions, including sub-limits, exclusions, and higher deductibles. As we continue to push hard for better terms, our retention rates are a bit lower than last year's levels, but it's a good trade for better profitability.

Moving to reinsurance, we're also seeing progress in pricing, but more is required. On quota share business, AXIS is getting at least the benefits of underlying improvements in primary terms and conditions as ceding commissions are either flat or down across the book. Excess of loss business is generally flat or modestly up depending on recent results. Catastrophe reinsurance has approved, but there is room for more. Loss affected treaties are seeing increases of up to 30% depending on the size of the loss. However, loss-free treaties are generally flat or only up modestly. It's our belief that given recent history, increasing concentrations in peak zones, and the ongoing impacts of climate change even loss-free accounts should go up at some point.

We recently completed the April 1 renewals, which included the attractive Japanese market where we had an opportunity to significantly expand our presence. Japan suffered substantial windstorm losses last year and treaties for those perils were up as much as 30%. Quake treaties, which have generally been loss-free since the 2011 Tohoku earthquake, were generally flat at satisfactory terms. There was more coverage purchased by Japanese accounts. Under these conditions we significantly upgraded our standing in the Japanese market and nearly doubled our premiums at this renewal at quite attractive terms.

Overall, AXIS Re performed well in the April 1 renewals, which make up less than 10% of our annual reinsurance volume. Increasing exposure to where it made sense, but also reducing or not renewing business where we were offered terms that did not meet our requirements. Overall, we achieved a 5% increase in aggregate gross written premiums that were expiring with an increase in price profits.

Across both insurance and reinsurance, we're encouraged by recent improvements, but it will take more than five quarters of mid-single digit increases to offset the compound reductions experienced by the markets over the past several years. With market conditions improving, it's good to have the wind at our back. But this is not just about rate. Our focus remains on continuing to strengthen both the quantum and quality of our underwriting results. And we expect to see further progress as the business that we choose to cancel or non-renewal runs off our books and is placed -- replaced by better priced and more balanced business.

Let me speak some more about the balance of our portfolio. Over the last few years, we've expanded significant effort to enhance our book of business. We exited several markets and re-underwrote a number of lines, delivering a clear trajectory of improvement across the portfolio. We also diversified our book with new risks that drove attractive growth, including cyber, renewable energy, A&H, and mortgage business. We've become more focused and upgraded our spending and relevance in our chosen markets and producer relationships, and this positions us well to be in the flow of attractive business and opportunities. As we continue our progress, we expect to see lower combined ratios in our existing lines and our new business should be additive as we further optimize our portfolio.

However, the heavy cat activity of the last two years has obscured the full impact of our work and marred what otherwise would have been strong performance. We have over recent years reduced our net cat exposures, but as both 2017 and '18 demonstrated, we need to do more. This year we've made additional reductions both to our gross book and to our net retentions by using more reinsurance and sharing more risks with strategic capital partners. As you'll observe in our investor financial supplement, we've made more progress again this year in reducing PMLs in key zones. We believe that these are the right actions to secure more stable portfolio and one that will be more resilient in years of higher cat activity. Our commitment to further reduce our net retained cat exposures will continue throughout this year and into the next renewals.

I'm confident that we can both sustain our franchise and property markets and reduce our net cat exposure. Over the last three years, we've put in place many of the capabilities and resources necessary to achieve this, a broader and deeper range of risk funding mechanisms and new tools and analytics for our underwriters that are starting to deliver visible results. We're confident that ongoing improvements across our overall book will more than offset any mix-driven impact on our loss ratio, and we believe that the resulting benefits to both earning stability and ROE will become increasingly evident to our shareholders.

In parallel, we will also continue to invest in innovation. It's our belief that there are great opportunities available to those companies that can leverage analytics and technology to change their approach to underwriting and better access and serve their customers. We're confident that with the investments we've made in the past few years and are increasing now will allow us to be among that group. We're on the right path, and we're seeing tangible results from the actions that we've taken. It's because of all these factors that I'm very optimistic about our future.

And now, Leslie [ph] please open the line for questions.

Questions And Answers

Operator

We will now begin the question-and-answer session. (Operator Instructions) Our first question comes from Amit Kumar with Buckingham Research. Please go ahead.

Q - Amit Kumar {BIO 15025799 <GO>}

Good morning. Maybe just starting with the discussion on G&A. In the last conference call you had mentioned a 13.5% number. And today that number has been pegged at mid-14%. I just wanted to better understand what changed from Q4 to Q1?

A - Peter Vogt {BIO 17059745 <GO>}

Yeah. Amit, I would say that 13.5% is more of our long-term expectation that as I think about the calendar year '19 mid-14s is more where we expect to come out.

A - Albert A. Benchimol {BIO 2023727 <GO>}

I think we did last year indicate that we were a little bit ahead of our (multiple speakers) savings, and we indicated that it would go up a little bit this year as we would start to invest in ...

A - Peter Vogt {BIO 17059745 <GO>}

Start to invest, yeah.

A - Albert A. Benchimol {BIO 2023727 <GO>}

Yeah.

A - Peter Vogt {BIO 17059745 <GO>}

And then we knew this year that our net premiums were down a little bit this year and that would actually affect the ratio a bit.

Q - Amit Kumar {BIO 15025799 <GO>}

Got it. That's helpful. The other question I had was the discussion on the aviation loss, I guess the BI loss. How should we think about that number as that issue drags on and is there -- could there be any possibility as the number evolves of lost creep or is it pretty capped at this point?

A - Albert A. Benchimol {BIO 2023727 <GO>}

Amit, we generally don't like to speak about individual accounts or treaties, but what I can tell you is that we're confident that the number that we have out there on a net basis is quite firm. We have a significant amount of reinsurance in that line of business.

Q - Amit Kumar {BIO 15025799 <GO>}

Okay. And final question and I will requeue. There has been a lot of discussion on late planting or delayed planting. Could you remind us -- I know you write on quota share and excess of loss, the NPCI book and other stuff. The size of your book and any thoughts how should we think about any potential impact from later delayed planting on AXIS results going forward? Thanks.

A - Albert A. Benchimol {BIO 2023727 <GO>}

I think it's -- I think it's too early to give a lot of precision on that one, but I would say that generally the reinsurance comes in when the planting happens. So the delayed planting generally does not have a significant impact on those results.

Q - Amit Kumar {BIO 15025799 <GO>}

And could you remind us the size of your book?

A - Albert A. Benchimol {BIO 2023727 <GO>}

It's -- I'll come back to you. I think it's a little under 100, but we'll come back to you on that.

Q - Amit Kumar {BIO 15025799 <GO>}

Okay. I'll stop here and let others ask. Thanks for the answers.

A - Albert A. Benchimol {BIO 2023727 <GO>}

You're welcome.

A - Peter Vogt {BIO 17059745 <GO>}

126.

A - Albert A. Benchimol {BIO 2023727 <GO>}

How much was it?

A - Peter Vogt {BIO 17059745 <GO>}

126 in the quarter.

A - Albert A. Benchimol {BIO 2023727 <GO>}

$126 million in the quarter.

Operator

Our next question comes from Elyse Greenspan with Wells Fargo. Please go ahead.

Q - Elyse Greenspan {BIO 17263315 <GO>}

Good morning. My first question, just looking at your underlying loss ratio was 58.9% on an overall basis in the quarter. You guys pointed to about two points of one-off kind of larger losses within your reinsurance book. So that's about one point overall. So is the right way to think about it is, is that underlying loss ratio is running kind of net of those losses at just under 58% and we should think about improvement from there over the balance of the year as you earn in some of the initiatives that you've been working on?

A - Peter Vogt {BIO 17059745 <GO>}

Yeah. So Elyse, this is Pete. I'll take that. Actually, I think I mentioned that the large losses at the insurance segment by just over two points in the quarter. We did have some aviation losses also in reinsurance and when I take the aviation losses in reinsurance as well as aviation and marine losses in insurance, for the company in the quarter it was just over two points. And so we do expect to get these large losses through the year. We let them run through this year -- this quarter because it was early in the year and we didn't want to absorb them. But I would say that on a normalized run rate if I'm thinking overall company, this would be a higher-than-normal quarter when it comes to large losses because we really -- we were early in the year. We had nothing to absorb it. So if I was thinking about it, Elyse, I'd take it down by at least half of that two point overall for the company.

Q - Elyse Greenspan {BIO 17263315 <GO>}

Okay. And then the assumption would be that we would see sequential improvement every quarter of 2019?

A - Peter Vogt {BIO 17059745 <GO>}

Yeah. Absolutely, yeah. We would expect to see that happen through the quarter. I guess I would also point out that we did talk a lot about the program business, which hurt us on the insurance side in the fourth quarter. That behaved itself, I'll call it, in the first quarter, but it was still higher than our normal insurance attritional loss ratio or non-cat weather loss ratio, and that added about a half a point to the insurance non-cat loss ratio in the quarter. And again, as that business runs off at the end of the year, we expect to continue to see the insurance book improve.

Q - Elyse Greenspan {BIO 17263315 <GO>}

Okay, great. And then on the acquisition side, you guys pointed, I think you said 23% Ex-PGAAP for the remainder of the year I guess. Can you just confirm that's what -- that's the acquisition cost ratio guide? And then I guess that contemplates that you could continue to see earned premium decline just as you reposition and some -- your premiums might continue to go down?

A - Peter Vogt {BIO 17059745 <GO>}

Yeah, that would -- we're going to see that, Elyse, on the acquisition side. I think one of the things that affects that acquisition cost, which just happens in each quarter, some loss-sensitive features on the reinsurance side, but that is a net-net positive to us if the acquisition cost goes off. It means that the loss ratio was down for one of our clients. But I think it was just up in this quarter slightly because there were some profit commissions booked as well as the impact of some ceding commissions that we do think that high 22s, 23% is where we'll see the overall company track for the rest of the year, absent any of these one-off things which really should, especially the loss-sensitive features you'll see an offset in the loss ratio.

Q - Elyse Greenspan {BIO 17263315 <GO>}

Okay, great. And then one last question. Albert, can you give us some of your initial views as we think about the upcoming Florida renewals, just expectations for price increases, chatter [ph] any change in terms and conditions, and kind of can you peg the weight increases we might see there relative to how the loss-impacted accounts moved at both January 1 and April 1?

A - Albert A. Benchimol {BIO 2023727 <GO>}

Right. Well, Elyse, it's still a moving target. As we said, I mean there's still a lot of talk going back and forth. I think basically you've read and heard the usual stuff which is some of the loss affected accounts and layers are going up to 30% or more, but the non-loss affected accounts are closer to flat, maybe very modest increase. So that's kind of where we're seeing it now. As I said, there's a lot of talk going back and forth on it.

I think there's a couple of things that are potentially positive, a number of things that are potentially negative. You've read about the AOB improvements. The legislature just passed AOB reform in Florida which has been a major driver of growth in loss adjustment expense. So that's positive -- that's possibly going to be reflected in some of the pricing conversations. But we're also looking at the fact that there is huge concentrations in certain parts of Florida that need to be priced for.

So what I can tell you is it's still -- it's still a moving situation. Loss affected up to 30 or more, non-loss affected closer to flat low-single digits. That's the current (inaudible) but it's moving.

Q - Elyse Greenspan {BIO 17263315 <GO>}

Okay, thank you very much.

Operator

Our next question comes from Yaron Kinar with Goldman Sachs. Please go ahead.

Q - Yaron Kinar {BIO 17146197 <GO>}

Hi, good morning.

A - Albert A. Benchimol {BIO 2023727 <GO>}

Good morning.

Q - Yaron Kinar {BIO 17146197 <GO>}

First question is on, favorable development in the insurance segment seemed a little light relative to where it's been. Can you maybe talk about the moving parts there?

A - Peter Vogt {BIO 17059745 <GO>}

Yeah. I mean when I think about that, especially when you compare to last year in the first quarter, last year in the first quarter, we had a fair amount of prior period development actually coming out of HIM. And so if you adjust for HIM, the insurance PYD was in the single digits. So when you compare year-over-year that is one impact.

The other thing I'd say is in this particular quarter, while we had good positive prior period development in all the business units and insurance except for property, where in property, we had some losses come in at the end of 2018 that didn't get into the 2018 year. So we had some property shop losses as well as some attritional come in into the first quarter of '19 that affected the PYD for insurance.

Q - Yaron Kinar {BIO 17146197 <GO>}

Okay, that's helpful. And then I guess my second question is on the increase in the Japan wind PML. So I understand that this is an opportunity here with rates being up as much as they are. At the same time, you are also talking about still lowering your overall exposures. So how do you -- how do you I guess square the push and pull here between the interest in going after opportunistic -- attractive opportunities and lowering your overall PMLs? And I'm asking that also as we look at June, July renewals in the US.

A - Albert A. Benchimol {BIO 2023727 <GO>}

That's a very good question, and thank you for asking it. What really matters here is what are we doing with our overall loss curves, and make sure that overall loss curves come down as a percentage of our overall equity. And what you'll notice is that the peak zones, which is really what drives those loss curves are continuing to come down. Japan is not a peak zone, but it does not drive the curves in the PMLs for us. But importantly, it's about providing more balance to the portfolio. So shaving off the peaks, filling in the troughs so that there's more balance, more premium, more diversification in the portfolio which ultimately results in a better loss curve, and ultimately better ROEs on that line of business.

Q - Yaron Kinar {BIO 17146197 <GO>}

Okay. So I look at the peaks and I think it's still Southeast US and as we head into June, July renewals, I'd expect there to be maybe a few better opportunities there. So even with that in mind, do you still expect that peak zone to be lower year-over-year?

A - Albert A. Benchimol {BIO 2023727 <GO>}

Yeah. I think what happens is every year there's always some situational volatility around what happens, but by and large, it would be our expectation that those PMLs will be coming down from the peak areas, yes.

Q - Yaron Kinar {BIO 17146197 <GO>}

Thank you.

A - Albert A. Benchimol {BIO 2023727 <GO>}

And as you can see, we've been doing that for several years now. So it's a trend that you should continue to see.

Q - Yaron Kinar {BIO 17146197 <GO>}

Okay, thanks.

Operator

Our next question comes from Jay Cohen with Bank of America Merrill Lynch. Please go ahead.

Q - Jay Cohen {BIO 1498813 <GO>}

Thank you. Most of my questions have been answered. It was very helpful. So one question. Share repurchase, should we basically take that off the table for the balance of this year?

A - Peter Vogt {BIO 17059745 <GO>}

Hey, Jay. This is Pete Vogt. Yeah, right now I would take that off for the balance of the year. Given where we were in the fourth quarter with the California wildfires, we are looking to build up the balance sheet through 2019.

Q - Jay Cohen {BIO 1498813 <GO>}

Got it. Thanks, Pete.

A - Peter Vogt {BIO 17059745 <GO>}

You're welcome.

Operator

Our next question comes from Meyer Shields with KBW. Please go ahead.

Q - Meyer Shields {BIO 4281064 <GO>}

Thanks. There are two small questions and then one may be bigger one. Albert, can you talk about the increase in corporate expenses on a year-over-year basis?

A - Albert A. Benchimol {BIO 2023727 <GO>}

Yeah. I mean there are a number of items that are kind of first quarter items that come through, but Pete, why don't you go through the detail?

A - Peter Vogt {BIO 17059745 <GO>}

Yeah, Meyer, if you're just looking at the dollars year-over-year, last year in the first quarter, there were some unusual good guys that came through, the biggest being some takedowns of some bonus accruals and all that ran through the first quarter. That's probably the most significant thing that actually drove the corporate year-over-year increase.

Q - Meyer Shields {BIO 4281064 <GO>}

Okay. So that implies that this is a good run rate going forward.

A - Peter Vogt {BIO 17059745 <GO>}

Yeah.

Q - Meyer Shields {BIO 4281064 <GO>}

Okay.

A - Peter Vogt {BIO 17059745 <GO>}

But I mean, I wouldn't take first quarter and necessarily use it as a run rate, Meyer, because as I mentioned in my comments, we do tend to expense a number of things in the first quarter. So our first quarter tends to be a little bit higher on the corporate side as well. So I would bring that down by a couple points -- if you're looking at dollars, I'll bring it down a bit, but overall we really do think the overall G&A ratio is going to come in the mid-14% range for the year.

Q - Meyer Shields {BIO 4281064 <GO>}

Okay. No, that's helpful. Thank you. Does the PML calculation for Japanese wind, does that include maybe more conservative modeling following the loss increases that we've seen on last year's storms?

A - Albert A. Benchimol {BIO 2023727 <GO>}

Look, the truth is that every quarter there's some improvements to some models. So hopefully we're getting better every quarter, whether it's southeast wind or quake or Japanese wind. But the real change that you've seen in the PMLs is really driven by the growth in our business in Japan.

Q - Meyer Shields {BIO 4281064 <GO>}

Okay. No, that's helpful. Bigger picture question, I'm not sure I'm thinking about this right. But when people talk about reinsurance pricing, there's always a split between loss impacted accounts and loss-free accounts. I'm wondering whether that's not a really weak way of reflecting changes in loss propensity. It seems more reactive than predictive.

A - Albert A. Benchimol {BIO 2023727 <GO>}

Well, that's my --that was my point, right, which is that even loss-free accounts should have an increase because if we believe that the curve is moving up, then everybody should share in that curve. But that's not what's happening right now. Those are the market conditions. So I think you and I are probably on the same page. The curve moves up, everybody should -- we're mutualizing risk, so everybody should pay a little bit more. But market conditions being the way they are, that's how it's ultimately coming through.

Q - Meyer Shields {BIO 4281064 <GO>}

Right. Is there an opportunity to sort of like go in loss impacted accounts and say that their exposure hasn't changed just because they had a bad year? I guess that's really what I'm driving at.

A - Albert A. Benchimol {BIO 2023727 <GO>}

That would be fine if everybody was going to share in the increased loss, right. But right now what's happening is since those who haven't had a loss are not paying for it, it comes down to those who've had the loss to contribute to that adjustment in price.

Q - Meyer Shields {BIO 4281064 <GO>}

Okay, understood. Thank you so much.

A - Albert A. Benchimol {BIO 2023727 <GO>}

I think what you're talking about is the difference between the theory of the pricing and the market reality of the pricing. I think everybody would agree with you, but it's very difficult to get an account that has not delivered a loss to pay for one that has.

Q - Meyer Shields {BIO 4281064 <GO>}

Right. No, I understand that. Thank you. That's very helpful.

Operator

Our next question comes from Brian Meredith with UBS. Please go ahead.

Q - Brian Meredith {BIO 3108204 <GO>}

Yes, thanks. A couple quick questions here for you. First, I'm just curious as we think about the insurance business and we think about the property down as much as it was given some of the non-renewals, what's the kind of headwind I should expect kind of going forward on the premiums from those non-renewed accounts?

A - Albert A. Benchimol {BIO 2023727 <GO>}

So I think we've talked about the impact on a gross basis, and we've gone through it. I think that's already embedded in the first quarter numbers.

A - Peter Vogt {BIO 17059745 <GO>}

Yes. It is. It is. And we will see some more through the year, but right now we're also seeing good growth in some areas we do like, Brian, including on the professional lines side and good rates and a hardening market we see on the US casualty both excess and primary, and we've seen some good growth even in renewable energy. So if we see property come down a bit, we do expect that top line to not necessarily drop as much just because of property in and of itself.

A - Albert A. Benchimol {BIO 2023727 <GO>}

And I don't know if we got into (inaudible), but the truth is that a big chunk of the drop in the first quarter had to do with a number of contracts that really were a 1/1 contract. And so we've already done and we've discussed this I believe throughout last year, progressively canceling a number of businesses when they were coming up. Some we couldn't touch before 1/1 January and therefore that's a big impact that you're seeing in the first quarter. There's less of those big contracts coming through for renewal in the rest of the year. So you should have less of an impact from the contract cancellations. That would be the first thing I would say.

The second thing that I would say is that if the trends in the market are continuing as we see them, it is likely that we will find more of that business to be attractive to us, and so it could well be that we would be quoting more or winning more towards the end of the year if the market improves. Of course, all of those things are market dependent. If the terms are good, there'll be more opportunities; if not, we will have no problem shrinking some more.

Q - Brian Meredith {BIO 3108204 <GO>}

Got you. And then, Albert, I'm just curious looking what you just kind of talked about on the rate here, 4% across the entire book in insurance. It sounds like you think that's enough to actually get margin expansion. So loss trend is still running fairly benign. Is that -- is that true?

A - Albert A. Benchimol {BIO 2023727 <GO>}

Absolutely. And in some cases we're getting rate increases that are -- when I think about the US casualty books, there are multiples of what our loss trend is. So we certainly would expect to see more loss ratio impact in those lines. But, yes, across the book the average of 4% that we're getting is ahead of loss trend, and when we've been talking about the improvement in our books of business over the next couple of years, certainly rate over trend was going to be -- we were looking to that to drive at least a point of improvement year-over-year for the next couple of years.

Q - Brian Meredith {BIO 3108204 <GO>}

Okay, excellent. And then you talked about maybe in terms and conditions improving. Are we seeing anything on terms and conditions at this point?

A - Albert A. Benchimol {BIO 2023727 <GO>}

Oh, yeah. That's actually even more interesting. We're doing much more around exclusions, around sub-limits, higher deductibles, all of which have a meaningful impact on loss costs.

Q - Brian Meredith {BIO 3108204 <GO>}

Got you. And so when we look at that 4% rate that's not including that, is it?

A - Albert A. Benchimol {BIO 2023727 <GO>}

That's right, it's not.

Q - Brian Meredith {BIO 3108204 <GO>}

Got you. Makes sense. Terrific, thank you.

A - Albert A. Benchimol {BIO 2023727 <GO>}

You're welcome.

Operator

Our next question comes from Michael Phillips with Morgan Stanley. Please go ahead.

Q - Michael Phillips {BIO 21023048 <GO>}

Thank you. Good morning, everybody.

A - Albert A. Benchimol {BIO 2023727 <GO>}

Good morning, Michael.

A - Peter Vogt {BIO 17059745 <GO>}

Good morning, Michael.

Q - Michael Phillips {BIO 21023048 <GO>}

I guess first question on -- back on insurance acquisition expense. A couple of things there. I guess part A is, is there any change in your MGA appetite? And if so, is that driving any impact on the acquisition expense ratio?

A - Albert A. Benchimol {BIO 2023727 <GO>}

So, Peter will go through the numbers, but in terms of appetite per se, we tend to look at the business on a technical ratio. In some cases, the acquisition expense is higher, the loss ratio is lower, in some cases it's vice-versa. So I think it's difficult to determine the adequacy or the attractiveness of a piece of business simply by the loss ratio alone or the expense ratio alone. So just wanted to put that point out there. Peter?

A - Peter Vogt {BIO 17059745 <GO>}

Yeah. But what I would say is as we've mentioned in the fourth quarter call and here, we have cancelled a number of relationships we had with MGAs. Many of those started last year, but a number of them, as Albert mentioned, happened in this first quarter as we actually -- it was the first quarter -- real first quarter we could action a combined excess in Novae book. And with that I would expect that the acquisition loss -- the acquisition ratio for insurance to actually come down through the year as the earned premium in those MGA contracts kind of wanes and therefore changes the book a little bit. And that's why I do think the acquisition ratio for the overall company will trend more to the 23%, high 22s, but specifically for insurance, I would say it came in on an EX-PGAAP basis at 22.3% in the first quarter. That should come down by -- to the mid-21s by the end of the year.

Q - Michael Phillips {BIO 21023048 <GO>}

Okay, yeah. That's helpful. Thank you, Pete. I guess on the same -- on the same token on the acquisition, given the higher expense from Lloyd's, is that going to be something that can be improved for you guys anytime in the near term, or is that more -- that's going to be there for a while?

A - Albert A. Benchimol {BIO 2023727 <GO>}

Are you referring to acquisition or G&A or what exactly?

Q - Michael Phillips {BIO 21023048 <GO>}

Yeah, acquisition, yes.

A - Albert A. Benchimol {BIO 2023727 <GO>}

Yeah. So, generally I would say there's a Lloyd's market situation and there's an AXIS situation. Lloyd's, as you know, is looking very hard at their acquisition expense. And Bruce Carnegie-Brown and John Neal and the team are pushing towards that. And I want to use that as an opportunity to mention that there's a lot of good work being done in London to improve both the competitiveness of the London market and the profitability of the London market. So I think we will all benefit from that.

But with regard to our own book, we always knew when we were going to -- when we acquired Novae, we always knew that there was a bunch of the business there that we would not renew. And some of it had to do with the fact that there were some coverholder arrangements that were not as necessary for our portfolio. And I'll give you a good example. We have a very strong US-based business. Novae was a Lloyd's company, and so it accessed a lot of US business through US coverholders for which it paid coverholder acquisition costs.

We believe that for much of that business we would rather write it locally where we are closer to the risks and therefore can ultimately deliver a better portfolio. That was always part of our plan. You're seeing some of that in the reduction of the January 1 renewals and the benefit of that I think is more than just on the acquisition cost. I believe that we will do a good job of delivering better premium locally than once we move through a coverholder.

Q - Michael Phillips {BIO 21023048 <GO>}

Okay. No, great. Thank you very much for all those details. I guess last one just a quick one. Your comments on rates sound somewhat similar to what we've heard so far in the quarter from others. But I guess one number that kind of stood out to me and maybe you can, if you can, a little more detail on it is the US casualties. I think you said up 9 which little bit -- stood a little bit to me and anything you can add to kind of where that is specifically.

A - Albert A. Benchimol {BIO 2023727 <GO>}

It's going to be further out. It's up 12.

Q - Michael Phillips {BIO 21023048 <GO>}

Okay.

A - Albert A. Benchimol {BIO 2023727 <GO>}

The reason for that is we focus on the E&S market. In the US, we only write E&S casualty, primary, and excess. And some of that is driven by the auto liability where we're seeing literally 18% increases in those lines. So this is -- these are definitely tougher risks. That's why are in the excess market and what happens is as the standard lines markets are starting to restrict their appetite, you're getting a lot more of those risks coming to the E&S market. And that's driving price. We're very pleased with the price that we're seeing. As I mentioned earlier, it's well above our loss cost trends, and this is an area that we're looking to grow.

Q - Michael Phillips {BIO 21023048 <GO>}

Okay, perfect. Thank you very much.

A - Albert A. Benchimol {BIO 2023727 <GO>}

You're welcome.

Operator

Our next question comes from Josh Shanker with Deutsche Bank. Please go ahead.

Q - Joshua Shanker {BIO 5292022 <GO>}

Yeah, thank you. I just wanted to get a few notes on Jebi. Obviously, the change in loss pick is much higher than the initial pick. Did you trigger into an excess contract, or what's going on there?

A - Albert A. Benchimol {BIO 2023727 <GO>}

No. This has a lot to do with the way we chose to participate in wind risks in Japan. And we do this for every zone. We look at the towers. We determine where it is that we would prefer to play in the towers. Sometimes it makes more sense to be in the lower layers. Sometimes it makes more sense to be in the upper layers. We've historically been underweight to wind in Japan because we felt it was not as well priced as the quake. So we had lower participation in the lower layers and then increased our participation in the upper layers.

So as Jebi in particular started to deteriorate, we started to take a larger share of every yen of loss at the upper layers than we did at the lower layers. But I want to be clear. We do that with every account. We look at every -- the price of every layer and we try to position ourselves where we think we're getting the best risk-adjusted returns. In Japan last year we thought the mid-layers of the towers were the better place to be.

Q - Joshua Shanker {BIO 5292022 <GO>}

And so the shape of the portfolio has changed with April 1 renewal?

A - Albert A. Benchimol {BIO 2023727 <GO>}

Yes. There is a little -- there's both a little bit more on the bottom but also both a little more on top as the accounts -- as the Japanese accounts bought more cover.

Q - Joshua Shanker {BIO 5292022 <GO>}

Okay, okay. And in this pricing commentary, a lot of people are commenting on how good pricing is here. How does the competitive environment feel? I mean I tend to think the market is efficient and it gets increasingly efficient over time. Do you think that this is an invitation for competition to increase or you see your competitors backing away and giving you that opportunity?

A - Albert A. Benchimol {BIO 2023727 <GO>}

I think the competitors that we have are by and large the same. Without getting into some news, you're very well aware that a number of leading players in the E&S market have announced significant reductions in their appetite. You also know that Lloyd's is reducing their participation in the US E&S market.

And so right now I think there is significantly less capacity and more demand in that market than there's been in a while. But I do want to take you back to my comments that I made earlier, which is it's great to see five quarters of mid-single digits increases, but let's recognize that we've been seeing significant price declines since 2011. What we have today is better than what it was, but it's still not time to back up the truck. So you still have to be -- you still have to be selective.

Q - Joshua Shanker {BIO 5292022 <GO>}

All right. Well, thank you very much and good luck this year.

A - Albert A. Benchimol {BIO 2023727 <GO>}

Thank you.

Our next question is a follow-up from Amit Kumar with Buckingham Research. Please go ahead.

Q - Amit Kumar {BIO 15025799 <GO>}

Hey, just very quickly. I know we're coming up at the top of the hour here. In terms of going back to the discussion on Jebi and Trami, I know in the opening remarks you mentioned Jebi is now at $12 billion to $13 billion. I guess two parts. One, can you remind us, are you using sort of a $3 billion to $4 billion for Trami? And what was the previous loss estimate you were using for Jebi because that number moved from I guess $5 billion to $9 billion to $10 billion to $13 billion. So maybe just help me with those pieces. Thanks.

A - Peter Vogt {BIO 17059745 <GO>}

Hi, Amit. This is Pete. With regard to Trami, we are currently using a loss estimate of about $3 billion. And with regard to Jebi, I mean our -- we ended the year last year at about $8 billion and actually in the fourth quarter we had actually moved up our estimate from $4 billion to $8 billion and actually took a little bit. But now we're up to $12.5 billion.

Q - Amit Kumar {BIO 15025799 <GO>}

Got it. That's very helpful. Thanks so much for the answers and good luck for the future.

A - Peter Vogt {BIO 17059745 <GO>}

Thank you.

Operator

Our next question is a follow-up from Elyse Greenspan with Wells Fargo. Please go ahead.

Q - Elyse Greenspan {BIO 17263315 <GO>}

Hi, thank you. So I just had a quick -- couple quick questions. The first was in response to an earlier question about rate over trend. You guys said that you drive about one point of improvement for the next couple years. Was that in insurance or overall comment? And then can you peg where your loss costs are sitting in your insurance and reinsurance segment, so we can just get a sense of how much weight it needs to be to continue to drive margin improvement?

A - Albert A. Benchimol {BIO 2023727 <GO>}

Right. So what we said is that at least a point, I think there'll be some places where it's more, some places where it's less. Obviously, some of that will be offset by a little bit of mixed impact, but we're certainly confident with at least a point in the next couple of years. I think if you look at the average -- I think that we go from some loss trends in the 5% range all the way down to some that are flat. But I would say that at the 4% range right now, just to give you a sense of it, and I believe Peter spoke to it, rate over trend was a little over a point already in our earned this quarter. So that basically tells you that at a 4% rate that's a one-point benefit to us.

Q - Elyse Greenspan {BIO 17263315 <GO>}

And then what about on the reinsurance side?

A - Albert A. Benchimol {BIO 2023727 <GO>}

As I said, most of the book that we have on the reinsurance side is quota share. So you kind of get the same -- you get the same trends. And the number that I gave you is across the entire portfolio.

Q - Elyse Greenspan {BIO 17263315 <GO>}

Okay. That's great. One -- and another question that I had just going back to the Florida discussion. We hear about some companies potentially electing changes to how much business the cat fund has within their towers. Also there's some additional alternative capital that could potentially come into the market. Do you think the dollar of premium that goes to traditional reinsurers is flat, up or down compared to last year at this coming renewal?

A - Albert A. Benchimol {BIO 2023727 <GO>}

Yeah. This goes back to the issue that it's -- we're right in the middle of the action and there's no question that some buyers are looking to put more into the cat fund as way of rebalancing the supply-demand equation in their favor. So I think we just have to let that play out.

Q - Elyse Greenspan {BIO 17263315 <GO>}

Okay. And then one last quick numbers question. The DAC benefit to your expense ratio in millions, how much do you have left and should that all come in the second quarter when we think about modeling?

A - Peter Vogt {BIO 17059745 <GO>}

Yeah. That's pretty small, Elyse. When I actually think about the VOBA impact for the rest of the year, and again DAC is less than VOBA, but I do know that the VOBA is about $7 million in the second quarter and then $4.5 million in the third and $2 million in the fourth. So it runs off pretty quickly. And then DAC is a subset of that.

Q - Elyse Greenspan {BIO 17263315 <GO>}

Okay. Thank you very much.

A - Albert A. Benchimol {BIO 2023727 <GO>}

That's why we continue to talk about PGAAP because I think ultimately those are really the numbers that will eliminate all of that -- the PGAAP adjustment volatility.

Operator

Our next question comes from Cliff Gallant with Philadelphia Financial. Please go ahead.

Q - Clifford Gallant {BIO 1854853 <GO>}

Good morning. Just kind of ...

A - Albert A. Benchimol {BIO 2023727 <GO>}

Hey, Cliff.

Q - Clifford Gallant {BIO 1854853 <GO>}

How are you doing? There's been a couple outside analysis done of your reserves indicating that there's weakness, but I know you've got a strong track record for setting your reserves. And so I was curious if you could comment. When you look at things from the inside, what are some of the things that you can see that perhaps an outside observer of your public data might miss?

A - Albert A. Benchimol {BIO 2023727 <GO>}

Well, we both want to go for that one. Peter, you go first.

A - Peter Vogt {BIO 17059745 <GO>}

I'll go first. I'll let Albert add the color. I'll give just -- I'll give a little bit more of a technical answer. But I guess what I'd say is inside our own actuaries and our own reserve committee feels good about where our reserves are. Our auditors have looked through our reserve and our reserving practices and opine favorably on those, as well as we do have -- we do hire an independent third-party actuarial firm to review all our reserves and give a separate independent confirmation to our audit committee about where our reserves reside. And in all of that internally, we feel very good about where our reserves are.

With regard to the external reports, I think one of the things that I would just mention is some of these reports were using the new SEC 10-K triangles, which are really just paid triangles. And so there's a lot of shortcomings of those triangles. And I think trying to do analysis just off of them, when you're trying to use one consolidated triangle is very difficult. What I would ask and what I would point our investors to is we do publish a very comprehensive transparent view of our triangles with our global loss triangles that we publish usually every May or June.

And those I think are good triangles for you to get your own read and do your own work and what you think about our reserves. And right now there is -- I know there is one positive report out there that actually looked at our triangles, our global loss triangles from last year, and did a fair amount of work on that. And that was a positive report. So I think part of it is unfortunately with the SEC triangles they're not the best ones to use to make personally (inaudible) actuarial background conclusions on someone's reserves. And with that I'll let Albert add anything.

A - Albert A. Benchimol {BIO 2023727 <GO>}

Yeah. (inaudible) keeping it technical. As I mentioned during the call, we've made a lot of changes to our portfolio, right. We got out of certain lines of business, we got into others, some have faster payout patterns than others. You need to go and look at it on a very micro portfolio approach, which is what our actuaries do. To just take a look at a single triangle, you just can't capture all of that. So our confidence in our reserves is unfazed by these recent reports.

Q - Clifford Gallant {BIO 1854853 <GO>}

Okay. Thank you very much.

Operator

This concludes today's question-and-answer session. I would like to turn the conference back over to Albert Benchimol for any closing remarks.

A - Albert A. Benchimol {BIO 2023727 <GO>}

Thank you, and thank you all for your time this morning. As I said at the beginning of the call, we're pleased to be back in double-digit operating ROE. And that's certainly something that we want to build on in the future. And our actions to strengthen our market positioning, improve our book, enhance our operations, and invest in our future that will continue. We're 100% committed to that.

And to that point, I do want to take a moment to express my appreciation to our team at AXIS. I'm really grateful for the hard work and commitment that I see from our people every day. It's a challenging market out there. They're doing great work, serving our customers, and delivering better returns to our shareholders. And we're going to continue doing that. So thank you to everyone who dialed in today. And we look forward to reporting to you on our further progress.

Operator

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