S&P Capital IQ

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CNA Financial Corporation NYSE:CNA

FQ3 2012 Earnings Call Transcripts

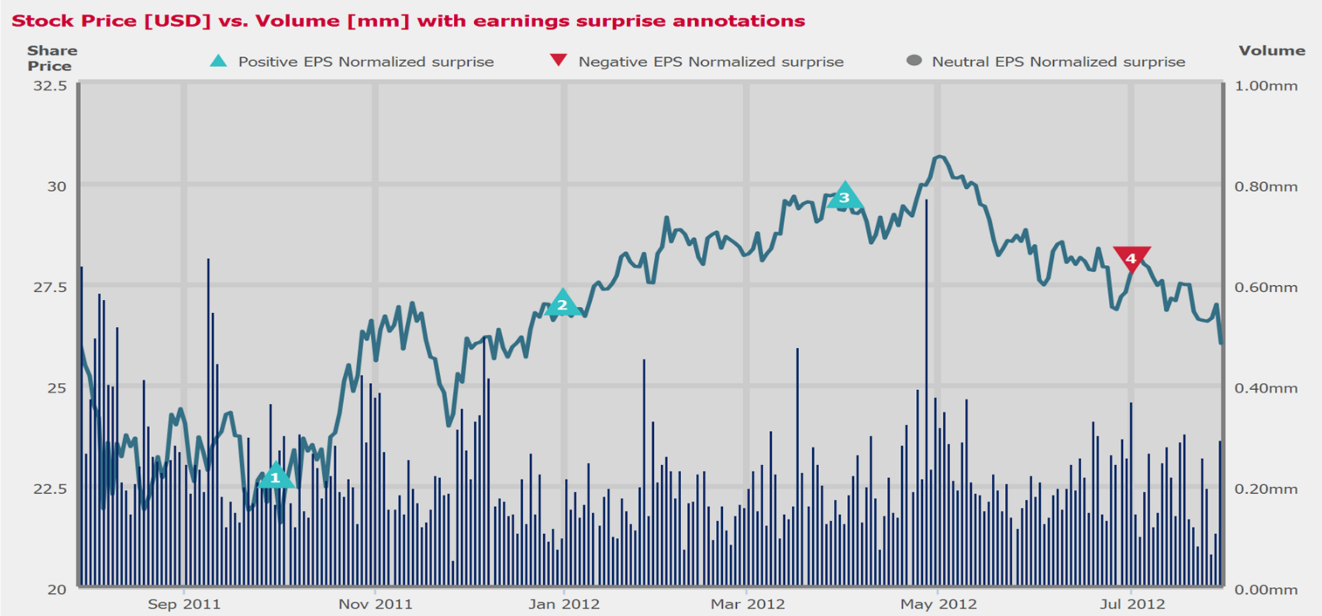
Monday, October 29, 2012 2:00 PM GMT

S&P Capital IQ Estimates

	-FQ3 2012-			-FQ4 2012-	-FY 2012-	-FY 2013-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.65	0.80	▲23.08	0.77	2.87	3.02
Revenue (mm)	1987.04	-	▼(10.37 %)	2024.47	7884.51	8372.49

Currency: USD

Consensus as of Oct-29-2012 12:01 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2011	0.26	0.34	▲1 30.77 %
FQ4 2011	0.69	0.71	▲2 2.90 %
FQ1 2012	0.69	0.84	▲3 21.74 %
FQ2 2012	0.59	0.56	▼4 (5.08 %)

Call Participants

EXECUTIVES

D. Craig Mense
Chief Financial Officer and Executive Vice President

Marie Hotza

Thomas F. Motamed
Former Chairman and Chief Executive Officer

ANALYSTS

Amit Kumar
Macquarie Research

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Ronald David Bobman
Capital Returns Management, LLC

Presentation

Operator

Good day, and welcome to the CNA Financial Corporation's Third Quarter 2012 Earnings Conference Call. Today's call is being recorded. At this time, I would like to turn the conference over to Marie Hotza of Investor Relations.

Please go ahead.

Marie Hotza

Thank you, Drew. Good morning, and welcome to CNA's discussion of our third quarter 2012 financial results. With us on this morning's call are Tom Motamed, our Chairman and Chief Executive Officer; and Craig Mense, our Chief Financial Officer. Following Tom's and Craig's remarks about the quarterly results, we will open it up for your questions.

Before turning it over to Tom, I would like to advise everyone that during this call, there may be forward-looking statements made and references to non-GAAP financial measures. Any forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from the statements made during this call.

Information concerning those risks is contained in the earnings release and in CNA's most recent 10-K and 10-Q on file with the SEC. In addition, the forward-looking statements speak only as of today, Monday, October 29, 2012. CNA expressly disclaims any obligation to update or revise any forward-looking statements made during this call.

Regarding non-GAAP measures, reconciliations to the most comparable GAAP measures have also been provided in our most recent 10-K and 10-Q, as well as in the financial supplements.

This call is being recorded and webcast. During the next week, the call may be accessed on CNA's website.

Now I will turn the call over to CNA's Chairman and CEO, Tom Motamed.

Thomas F. Motamed
Former Chairman and Chief Executive Officer

Thank you, Marie. Good morning, everyone, and thank you for joining us today. We reported net operating income of $216 million, much improved over last year's third quarter and driven primarily by strong results from our limited partnership investments.

This quarter CNA's results include the Hardy group for the first time. Hardy contributed significantly to our accident year loss ratio improvement. The third quarter Property Casualty non-cat accident year loss ratio was 66.3%, 1 point lower than this year's second quarter. We continue to achieve meaningful rate increases across our Property Casualty business with retentions holding firm. The 6% overall rate increase in the third quarter was broad-based, and while consistent in the aggregate with the second quarter, we did achieve improved rates across our Commercial segment.

Our Specialty business delivered solid underwriting results again for the third quarter combined ratio of 93.7%. Specialty achieved a 5% rate increase in the third quarter. Retention remained unchanged. Specialty's non-cat accident year loss ratio was relatively flat as compared to earlier periods. In the quarter, Specialty net written premiums decreased 4%, reflecting a lower level of new business as we tightened pricing and underwriting standards.

In Commercial, our third quarter combined ratio was 106%, which included 2.8 points from catastrophes. Excluding catastrophes and development, Commercial's third quarter combined ratio was 102.9%. Our Commercial non-cat accident year loss ratio was 67.4%, relatively consistent with this year's second quarter. Commercial rate increases continued to rise. 8% rate increase in the third quarter was a 1-point improvement over the second quarter while retention also improved 1.79%. Commercial's third quarter net written premiums decreased 3% for the quarter. Before the impact of last year's fourth quarter sale of First Insurance Company of Hawaii, Commercial grew 2% in the quarter.

Before turning it over to Craig, I wanted to spend a moment on the Hardy group, our newly acquired Lloyd's operation. Hardy produced net operating income of $3 million on net written premium of $56 million. Premiums were down approximately 17%, reflecting their increased reliance on third-party capital and the reprofiling of Hardy's property treaty portfolio. Hardy's combined ratio was 85.8%. Excluding catastrophes and development, the ratio was 94.7%.

With that, I will turn it over to Craig.

D. Craig Mense
Chief Financial Officer and Executive Vice President

Thanks, Tom. Good morning, everyone. CNA had a solid third quarter from a financial perspective, much improved level of earnings, 4% book value per share growth and continued improvement in financial stability and flexibility.

CNA's third quarter net operating income was $216 million and operating return on equity of 7.5%. Our year-to-date operating ROE was 7%.

Third quarter operating income available to common shareholders was $0.80 per share. Period-over-period comparisons were favorable driven by improved results in our Property & Casualty Operations segments.

Recorded net income also improved on the prior year to $221 million or $0.82 per share.

Our Property & Casualty business produced net operating income of $264 million in the third quarter as compared to $130 million in the prior-year period. The improvement was driven by strong limited partnership investment results, improved accident year underwriting results and lower catastrophe losses.

We had modest amount of favorable prior year development in the quarter, $35 million pretax or 2.6 points on the P&C combined ratio. This compares to $90 million pretax or 5 points on a combined ratio at last year's third quarter.

As you heard from Tom, the Hardy group made a modest but meaningful contribution this quarter. You should be aware that Hardy utilized third-party capital for the 2011 and 2012 years of account. That reason, the Hardy segment results exclude the external capital providers proportionate share of Syndicate 382's results. The third-party capital percentages are 7.5% and 25% for the 2011 and 2012 years of account, respectively. The 2013 year of account CNA's results will include 100% of the Syndicate results.

As a result of the purchase accounting for the acquisition, we recorded $81 million of finite lives intangible assets will be amortized over various lives up to 15 years. Total amortization in the third quarter was $24 million, of which $6 million was above normal run rate back amortization.

Our Non-Core Life & Group segment produced a $22 million third quarter operating loss, driven by unfavorable claim experience in our individual long term care business.

We continue to pursue rate increases on our long term care business and to evaluate the overall effectiveness of our run off operation. As we've said before, we are taking an active approach to managing all our Non-Core businesses as opposed to simply administering them. We will conduct our annual review of livelihood[ph] reserves in the fourth quarter of 2012 consistent with prior years.

Our corporate segment, primarily includes corporate expenses, largely interest on corporate debt. The $26 million third quarter operating loss was consistent with our expectation and included no significant unusual items. CNA continues to build on a solid foundation of financial strength and stability. Our capital adequacy[ph] metrics remain at or above our target levels, and our liquidity profile remains very strong.

Book value per common share was $46.99 at the end of the third quarter, an increase of 4% for the end of the second quarter. The increase reflects earnings and improvement in our investment portfolio net unrealized gain positions.

Our investment portfolio's pretax net unrealized gains that are approximately $4.4 billion at quarter end, an increase of approximately $900 million from the end of the second quarter 2012. Approximately $545 million of this quarterly change was generated by the longer-term assets reporting our Life & Group segments. The impact of those gains was largely offset by additional shadow reserve adjustments that were also reflected in other comprehensive income.

Our common shareholders equity excluding other comprehensive income was $11.5 billion or $42.80 per common share, up approximately 2% from the end of the second quarter. Our statutory surplus stood at approximately $10 billion at quarter end, up modestly from the end of the second quarter.

We have nearly $700 million of dividend capacity at the insurance operating company level after having upstreamed a $150 million dividend in the third quarter. Cash and short-term investments at the holding company level were approximately $435 million at quarter end. We continue to target cash at the holding company equal to about 1 year of our annual net corporate obligations.

We retired $70 million of corporate debt that matured in August.

In third quarter of 2012, operating cash flow, excluding trading activity, was approximately $340 million in line with this year's second quarter. Additionally, we received approximately $1.1 billion of cash principal repayments through pay downs, bond calls and maturities.

Debt investment income was $601 million pretax in the third quarter as compared to $394 million in the prior-year period. The increase was driven by our limited partnership investments which produced third quarter pretax gains of $89 million in 2012 as compared to pretax losses of $93 million in 2011. Our LP investments produced a return of approximately 4% in the third quarter. Year-to-date, our LP investment return was approximately 8.4%.

Net investment income from our fixed maturity securities in the third quarter was $507 million pretax, a $13 million increase from the prior-year period. Higher level of invested assets more than offset the effect of lower new money yields. We made relatively minor changes to our investment portfolio sector allocations this quarter. The investment-grade corporate bonds sector continues to represent the largest component of our invested assets. And overall, our investment portfolio remains well diversified, liquid, high-quality and aligned with our business objectives.

The average credit quality of our fixed maturity portfolio remained at A. Fixed income assets which support our long-duration lifelike liabilities had an effective duration of 11.4 years at quarter end, a decrease from 11.7 at the end of this year's second quarter and in line with portfolio targets. The effective duration of the fixed income assets which support our traditional P&C liability of 3.8 years at quarter end, a slight decrease from 3.9 years at the end of the second quarter.

With that, I'll turn it back to Tom.

Thomas F. Motamed
Former Chairman and Chief Executive Officer

Thank you, Craig. Before we open it up for questions, I would like to summarize our third quarter highlights.

Increased net operating and net income of $216 million and $221 million, respectively, a combined ratio of 99.7% in our core Property & Casualty business, rate increases of 8% in Commercial and 5% in Specialty. 1 point of improvement in the Property Casualty non-cat accident year loss ratio, a combined ratio of 85.8% from the Hardy group, our newly acquired Lloyd's operation. Increased book value per share of $46.99, up 10% from year end 2011.

Lastly, we declared a quarterly dividend of $0.15.
With that, we'd be glad to take your questions.

Question and Answer

Operator

We'll take our first question from Amit Kumar.

Amit Kumar
Macquarie Research

Just quickly starting with the Hardy acquisition and I'm not sure if I missed this. But on Page 11, if I look at the acquisition expense ratio, why is that elevated? And would that normalize going forward? Or is that how we should think about the expense ratio for Hardy going forward?

D. Craig Mense
Chief Financial Officer and Executive Vice President

This is Craig, Amit. I think there's nothing unusual in the expenses for the quarter. It was affected by the earned premium declines as I mentioned in my remarks. Remember that Hardy was relying on third-party capital for the 2011 and '12 years of cap. This year, about 20% of the earnings or this quarter about 20% of the earnings went to those third-party capital providers. A little bit the effect of that, a little bit the effect of the decline and then we've changed the accounting and the reporting somewhat so that we really account for all the operating expenses at the Hardy group level in the underwriting and acquisition expenses, which wouldn't be traditional for what they report in the past or what you usually see as Lloyd's. But I think that is what you have to look at going forward at the moment.

Amit Kumar
Macquarie Research

Got it. Since I guess once we gross up the earned premium, those numbers will obviously fall.

D. Craig Mense
Chief Financial Officer and Executive Vice President

Right.

Amit Kumar
Macquarie Research

Got it. Then the second question is the discussion on pricing and maybe it's a 2-part question, pricing and margins. Pricing was -- it's still strong, but I think it looks like it was relatively flat versus Q2. And then I know we've talked about this in the past how you were ahead of the curve in terms of pricing increases for your book. Maybe just talk about and this question is for Tom, just talk about the sustainability. Do you think these numbers start trending down as we go forward or you think that you'll keep on getting rate-on-rate into 2013?

Thomas F. Motamed
Former Chairman and Chief Executive Officer

Well we're optimistic about getting rate in the fourth quarter and beyond. I think the industry needs rate, whether it's in the commercial sector and, in particular, in the Specialty segment. We think there's a lot of rate to be had there. It just hasn't followed the commercial space. So we continue to be optimistic. We did improve a bit in Commercial. And when we looked at the individual lines of business, most of them improved. And we did have 2 that were double-digit and 1 that was right on the verge of double-digit. So we are getting rate in the places that we think we need to get rates. So we're pretty confident about that. And Specialty, we're getting rate there. I think if you go back, Amit, in time, we've been getting rate increases in Commercial now for 8 quarters in a row. We've been getting rate increases in Specialty for 6 quarters in a row. So the fact is even if you took that out a little longer in Commercial, we were getting rates beyond 8 quarters. We just -- 1 quarter we fell behind a little bit. But we have been building this gradually over time, and I think what the market is showing is nobody is being very aggressive in getting rate. It's much more moderate and we believe that if it stays moderate, we'll be able to continue to get rate increases. But if you compare third quarter of '11 with third quarter of '12, Commercial's gone from 2% to 8%. And if you look at Specialty, basically slightly positive in the third quarter of '11, 5 points today. So it's been moving up. I don't expect that it's going to move up a lot from where it is, but there's certainly areas that will need more rate, worker's comp being one and we'll see what this storm does to property rates, and that would be not only monoline property, but also the package business, which has a property portion. So we think there's some legs in this market.

Amit Kumar
Macquarie Research

That's helpful. And then -- and I guess maybe the only other question and I'll reach you after this. Can you talk about the contribution of new business in the lines and the pricing the new business is getting versus your renewal business?

Thomas F. Motamed
Former Chairman and Chief Executive Officer

If we look at our Specialty business, we believe that the new business is priced much stronger than the renewal business. And quite honestly, as I just said a moment ago, we think the Specialty business needs rate increases. So we'll continue to push in Specialty. But the good news now is while we're writing on the new side is better priced in our renewal book, and we are becoming more selective in Specialty. And that's why you saw a drop off in their growth in the quarter because we really cut back on the new business that we were writing because there are some problems in employment practices for the industry and certain other professional liability lines. So positive on Specialty. Commercial, it's pretty flat with the renewal business, slightly negative. But then we are getting more rate increases in Commercial. So 8% is a pretty good number for us. So we're going to keep pushing on that, but we're not giving anything away.

Operator

[Operator Instructions] We'll take our next question from Jay Cohen.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

I guess several questions. First is the review of the life insurance reserves, which you do, I guess, every fourth quarter. Is there anything in the macro environment this year that seems more adverse whether it's lower interest rates? In other words, as you look at that -- the reserves this quarter, should we be expecting a more likely charges given the macro environment?

D. Craig Mense
Chief Financial Officer and Executive Vice President

This is Craig, Jay. So I'd say not -- nothing really changed dramatically in the macro environment. It certainly hasn't gotten better. And I think that the 2 big drivers would be claims. We have seen slight increase in claim activity this year. This quarter was about $10 million more than we would have expected. Last quarter was actually very light claim quarter. First quarter was a bit heavy on the claim. So right now it's tough to see if that's a trend or just some kind of random variability and outcomes so we're looking closely at that. Although, I say that October looks to be running closer to what the third quarter ran in terms of claim. So that'll be a key decision to make and judgment to bake in what direction that's going in the future. And then we'll have to wrestle with the low interest rate environment and make some estimate about how long we think that persists or doesn't persist. So it's a pretty tough and difficult topics, and if that's not much different, it's just I would say all are a little or slightly worse than they were a year ago.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Got it. Second question I guess really just given the storm activity going on right now as we speak, could you just remind us what your cat program looks like? I would normally look it up but I don't have my files here and if you can give us that, that'd be helpful.

D. Craig Mense
Chief Financial Officer and Executive Vice President

Yes. As we buy our retention in our cat is $300 million, and we buy $600 million of protection over that $3 million.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Is that fully placed at $600 million?

D. Craig Mense
Chief Financial Officer and Executive Vice President

No. The first $100 million layer is 50% placed and the rest is fully placed as I remember.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Okay. And then lastly, when I look at Hardy -- when I look at the net to gross, that difference that reflects I'm assuming the third-party capital as well as reinsurance purchases?

D. Craig Mense
Chief Financial Officer and Executive Vice President

Yes. So I guess you've really got to make a couple of steps. First, the -- a portion of the third-party capital actually gets deducted from the gross before you even see it, like 10%. And then the other 50% is deducted from the gross in that. And then they buy third-party reinsurance somewhere between 20% to 25% reduction of the gross.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Yielding that it goes away next year as you have it modeled now would be the third-party capital?

D. Craig Mense
Chief Financial Officer and Executive Vice President

That's correct. And do remember though, Jay, that because that's a year of account on a basis that will kind of gradually change over the course of the next couple of years. So as premiums are continued to be collected for the '11 and '12 years of the account, it will only be the premiums on the '13 year of account and the earned premium on '13, that will be 100%. So that will be a pretty gradual transition over the next couple of years.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

So it has to be earned in. Okay, that's helpful. And then lastly on Hardy again, I'm sure you've talked about this before but I don't have notes in front of me. The seasonality of that business, how should we think about that?

D. Craig Mense
Chief Financial Officer and Executive Vice President

I think it's really more the property treaty that's a little more seasonal. So -- and that business has been pretty significantly curtailed and we're in the process really of rebuilding and reprofiling that business. So in the future, you should expect that to kind of follow the seasonality you would see in any other kind of property treaty reinsurer.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Okay. So if we look at the third quarter gross premiums, obviously, some of that will get moved up because that gradually the third-party reinsurance goes away. But is that a decent run rate for us to look at as far as modeling purposes going forward?

D. Craig Mense
Chief Financial Officer and Executive Vice President

I think that's a bit depressed in terms of the written, but not significantly. I think it's reasonable enough as a starting point. And you have a better view of that when you see the fourth quarter year end, I think.

Operator

And we'll take a follow-up question from Amit Kumar.

Amit Kumar
Macquarie Research

And just very quickly going back to the discussion on your cat program. Can you remind us what your Hurricane Irene losses were? Is that number handy?

D. Craig Mense
Chief Financial Officer and Executive Vice President

Yes, it's top of mind, unfortunately. So we reported $44 million of losses from Hurricane Irene. Now this storm looks to be a bit broader based and slow moving, so -- but...

Amit Kumar
Macquarie Research

And I guess maybe just expand on that and I'm sure you're getting some reports. Do you have any view what Hurricane Sandy will look like? Or are you hearing anything from the people on ground?

D. Craig Mense
Chief Financial Officer and Executive Vice President

No. Not really. We won't get our really first model back[ph] until late this afternoon or tomorrow morning until we have a better sense of storm track from RMS and some others. So really the only measures we have to look at is kind of our own judgment so ask like you were asking about. So what was Irene or Irene's losses, we know our market share is between 1/2 of 1% so depending on where the industry loss is, maybe that's another little marker. Those are pretty kind of, I don't know how helpful those are necessarily but that's as about as far as we can take it at the moment.

Amit Kumar
Macquarie Research

That's very helpful. And then what are the split in your Hurricane Irene loss between Commercial and Specialty? And can you remind us of that?

D. Craig Mense
Chief Financial Officer and Executive Vice President

It is almost all Commercial. There's very little Specialty losses. If you look back at the -- to see the Specialty cat losses over the -- in any of the number of the last years had been relatively modest and fairly insignificant -- and fairly insignificant. So less than half a point. I don't think it's been more than 1 point in any quarter. And actually, in our overall, cat losses have been we think stacked up really well compared to the industry comparison.

Amit Kumar
Macquarie Research

Got it. But I guess if the losses turn out to be a much bigger deal, then definitely some of those will start flowing through Hardy, right?

D. Craig Mense
Chief Financial Officer and Executive Vice President

Some do. But as we said in earlier calls, this P&L impact of Hardy is not that significant.

Amit Kumar
Macquarie Research

Okay. And the only other question, I guess, I had was and I know we talk about this every quarter and probably with the same answer. But just in terms of the impending fiscal cliff, any thoughts or any sort of revisitation on the possibility of a special dividend?

D. Craig Mense
Chief Financial Officer and Executive Vice President

We again appreciate you asking the question. But as we said, we made a practice of not talking about or telling what capital actions we might take future. So we'll naturally look at everything. We talk about it every quarter. We'll discuss capital plans again at the end of the year after we look at the full year's earnings and earnings estimates. And we consider our outlook for '13 and all those things we talked about in the past are certainly on the board as far as uses for capital.

Amit Kumar
Macquarie Research

But it's not off the table?

Thomas F. Motamed
Former Chairman and Chief Executive Officer

Same answer as last quarter and the quarter before that. You said it correctly right at the beginning of it.

Operator

We'll take our next question from Ron Bobman with Capital Returns.

Ronald David Bobman
Capital Returns Management, LLC

Calling in from an undisclosed location on the storm centered East Coast. I just had a question about loss picks in Commercial and maybe Specialty as well. As rates declined in the last, I don't know, 5, 6 years, maybe '07, '08, '09, '10 and '11. Just curious, for those years, how the loss picks holding up?

D. Craig Mense
Chief Financial Officer and Executive Vice President

And you want to know for '09, '10, '11? I think that we think about maybe starting with Commercial. '09 actually has held up pretty well. '10 and '11, what we've seen and you kind of see it in the reserve or views and reserve outcomes is that largely Property and General Liability lines have performed slightly better than we expected, and auto and comp have been a little bit worse than we've even expected. But those have been kind of on the margins. I think that it was an example of comp over the last 2 -- for the last 2 years this quarter, we added less than $20 million comp reserves. In Specialty, those picks have moved up because we've seen pretty significant increase of comps and frequency and employment practices liability in a number of professional liability lines that we think were generated by the economic prices and the outcomes on that. So we've seen a pickup in frequency as an example in the lawyer's books. If they move, they move pretty modestly and on the margin. I think you can kind of see those in the numbers they report over time.

Ronald David Bobman
Capital Returns Management, LLC

And Craig, you answered it by focusing on '09, '10, '11. I asked for a broader window. Did you focus on '09, '10, '11 because those are the ones that are really noteworthy?

D. Craig Mense
Chief Financial Officer and Executive Vice President

I thought you were asking '09, '10, '11, Ron. But you wanted something larger than that?

Ronald David Bobman
Capital Returns Management, LLC

Well I was just curious. Since you focused on '09, '10, '11 because of the miscommunication, sorry, anything noteworthy about '06, '07 and '08 where rates were declining but maybe they were still well more than adequate so it's less of an issue or...

D. Craig Mense
Chief Financial Officer and Executive Vice President

Those have all continued to develop favorably.

Ronald David Bobman
Capital Returns Management, LLC

Okay. So '09, '10, '11 are really the ones worth noting.

Operator

And we have a follow-up question from Jay Cohen.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Yes, just move I guess more towards the bigger picture view. Can you talk about what your eventual ROE target is for the company?

Thomas F. Motamed
Former Chairman and Chief Executive Officer

I think right now, Jay, in this kind of interest rate environment, we'd like to do better than where we are today and the name of the game is improving the underwriting contributions that's key. So I would say we're at, I guess, we're 7.5% this quarter. In the near future, we'd like to get close to 10%. We think that would be reasonable, all things considered. But the underwriting side is going to have to contribute. And Hardy has helped buying the rest of Surety. It has been a good deal for us. We're seeing improvement in Commercial. We're tightening the hatches in Specialty. Specialty had very good ROEs until recently. So I think that's probably get the double digit before you declare you want to go off in the clouds. So I think that's where we want to try to get to right now.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Do you think you can get to 10% without doing some sort of restructuring on the runoff business? Is that -- does that have to be part of it to get to that kind of ROE?

Thomas F. Motamed
Former Chairman and Chief Executive Officer

I think if we can really get the underwriting stuff much improved, I think we can get there. Since you brought it up, yes, we're always thinking about these runoff businesses and what we can do and we came up with a solution on asbestos. These things take a lot of time. They take a lot of diligence. We continue to look for solutions in that business. But at the same time, we're an underwriting company and we have to improve our results so we think we could certainly get to those or get to 10% if we get loss ratios down from where they are today and we're working on that, and it's getting there. We've seen the results, so we're pleased. I can't tell you when it's going to happen, but that -- we said "Short term what am I looking at?" I think that would be a number that we'd be happy with today in this environment.

Operator

It appears to have no further questions at this time. I would like to turn the conference back over to our speakers for any additional or closing remarks.

Thomas F. Motamed
Former Chairman and Chief Executive Officer

Thank you.

Operator
That concludes today's conference, ladies and gentlemen. We appreciate your participation.