S&P Capital IQ

CONTENTS

CNA Financial Corporation NYSE:CNA

FQ4 2014 Earnings Call Transcripts

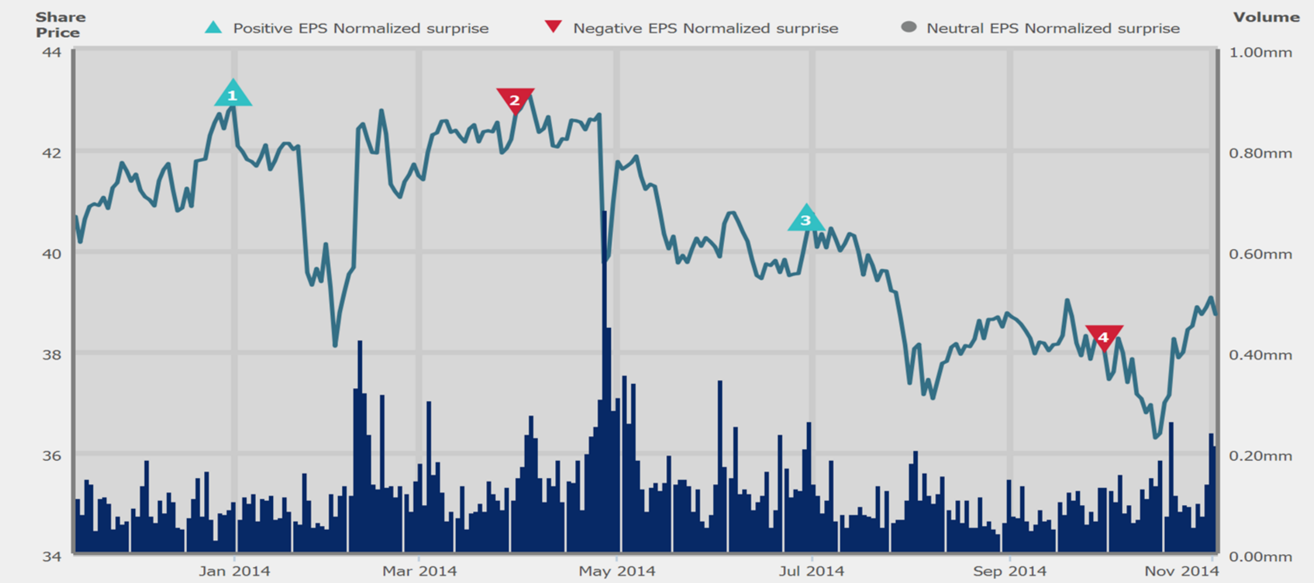
Monday, February 09, 2015 3:00 PM GMT

S&P Capital IQ Estimates

	-FQ4 2014-			-FQ1 2015-	-FY 2014-	
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL
EPS Normalized	0.76	0.76	0.00	0.80	3.16	3.14
Revenue (mm)	2068.43	1555.00	(24.82 %)	2137.98	8343.43	6536.00

Currency: USD
Consensus as of Feb-09-2015 1:00 PM GMT

Stock Price [USD] vs. Volume [mm] with earnings surprise annotations



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2013	0.87	1.24	1 42.53 %
FQ1 2014	0.83	0.70	2 (15.66 %)
FQ2 2014	0.82	1.00	3 21.95 %
FQ3 2014	0.78	0.68	4 (12.82 %)

Call Participants

EXECUTIVES

D. Craig Mense
Chief Financial Officer and Executive Vice President

James M. Anderson
Senior Vice President of Financial Planning & Analysis and Corporate Development

Thomas F. Motamed
Former Chairman and Chief Executive Officer

ANALYSTS

Amit Kumar
Macquarie Research

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Joshua David Shanker
Deutsche Bank AG, Research Division

Michael Zaremski

Robert Ray Glasspiegel
Janney Montgomery Scott LLC, Research Division

Presentation

Operator

Good day, and welcome to CNA Financial Corp. Fourth Quarter 2014 Earnings Call. Today's conference is being recorded. At this time, I would like to turn the conference over to James Anderson. Please go ahead, sir.

James M. Anderson
Senior Vice President of Financial Planning & Analysis and Corporate Development

Thank you, Randy. Good morning, and welcome to CNA's discussion of our 2014 fourth quarter financial results. By now, hopefully all of you have seen our earnings release, financial supplement and presentation slides. If not, you may access these documents on our website, www.cna.com.

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 on our 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 in 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-Q and 10-K on file with the SEC.

In addition, the forward-looking statements speak only as of today, Monday, February 9, 2015. 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 the financial supplement. This call is being recorded and webcast. During the next week, the call may be accessed on CNA's website.

I would also like to remind you that the presentation slides have, again, been posted on our website to provide additional perspective on our financial and operating trends. With that, 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, James. Good morning, everyone, and thank you for joining us today. In the fourth quarter, CNA produced net operating income of $205 million, essentially flat with the fourth quarter of 2013. Net operating income was $260 million, if you exclude the previously announced pension settlement charge.

Our results this quarter reflect continued underwriting margin improvement in our Property & Casualty Operations, as well as a meaningful contribution from favorable reserve development in our Specialty and International segments. In addition to our Commercial and Specialty segments, we now report an International segment that includes the results of Hardy, CNA Europe and Canada.

As discussed on our last earnings call, we have aligned our International operations under the leadership of Dave Brosnan. This move was made to ensure that our multinational capabilities are seamlessly delivered to our agents, brokers and customers in all geographies. It also emphasizes the importance of the multinational marketplace to CNA.

Slide 4 of our earnings presentation highlights the Property & Casualty segment realignment. For the full year, CNA produced net operating income of $849 million compared with $901 million in 2003. Of note, our Property & Casualty Operations delivered over $1 billion of operating income for the second year in a row while improving the underlying margin by more than 1 full point.

Our Property & Casualty combined ratio for the quarter was 91.8%, an improvement of 3.2 points compared with the fourth quarter of 2013. Excluding catastrophes and development, the combined ratio was 93.6% or 0.7 point better than last year's fourth quarter.

Specialty had another strong quarter with a combined ratio of 88.4%, which was helped by 2 points of favorable loss development. Specialty's combined ratio, excluding catastrophes and development, was 90.4%. Rates increased 3%, consistent with the second and third quarters. Retention remained strong in the mid-80s.

Commercial had a better quarter, with a combined ratio of 96.8%. Excluding catastrophes and development, it was 95.6%. Commercial rates increased 4%. Retention improved more than 3 points from the third quarter to the mid-70s.

International also had a good quarter with a combined ratio of 86.9%, including more than 13 points of favorable development, primarily from CNA Europe. The combined ratio, excluding catastrophes and development, was 98%. Rates decreased 0.6 point in the quarter, a slight improvement from the 2 prior quarters.

Reflective of our financial strength and consistent earnings, we are pleased to announce a special dividend of $2 per share in addition to our quarterly dividend of $0.25 per share.

With that, I will turn it over to Craig.

D. Craig Mense
Chief Financial Officer and Executive Vice President

Thanks, Tom. Good morning, everyone. As Tom mentioned, we reported fourth quarter net operating income of $205 million or $0.76 per share. The operating return on equity was 6.7%. Our results for the quarter adjusted for the $55 million after-tax pension settlement charge were $260 million or $0.96 per share, and an operating return on equity of 8.4%.

Our core P&C Operations produced net operating income of $314 million compared with $340 million in the fourth quarter of 2013. The decrease is largely attributable to lower investment income. Underwriting profitability for the quarter was solid across all of our Property & Casualty segments. We continue to demonstrate steady progress in our underlying loss ratio as we moved throughout the year. P&C's underlying loss ratio was 61.4% for the fourth quarter, which brings the full year result 1 point better than 2013.

Specialty and Commercial's 2014 non-cat, current accident year loss ratios for the full year improved by 1.9 and 1.5 points, respectively; while International's underlying loss ratio increased by 3.1 points due to several large losses in our aviation and cargo business at Hardy.

The Property & Casualty Operations expense ratio was 32% in the fourth quarter and 32.9% for the full year. The ratio this quarter benefited from an insurance receivable recovery and other onetime items that had an approximate 1.5 point positive effect.

Specialty's underlying loss ratio in the quarter was 60.1% compared with 58.9% in the fourth quarter of 2013. The unfavorable period-over-period comparison was driven by the significant favorable reevaluation of the 2013 accident year that we made in the fourth quarter of 2013. Specialty's full year 2014 accident year loss ratio was 61.7%, almost 2 points lower than where we ended 2013.

Commercial's accident year non-cat loss ratio continued to improve this quarter. The reported underlying loss ratio this quarter was 63%, 2.5 points lower than the prior year period result. Remember, the loss ratio improvement reported in the quarter reflects a catch-up adjustment for the full year. We would point you to the 2014 full year result of 64.6%, which is 1.5 points lower than where we ended 2013, as the more clear indication of our progress.

The insurance receivable recovery and the other onetime items that I mentioned earlier were entirely reflected in Commercial's results and lowered its reported fourth quarter 2014 expense ratio by approximately 2.5 points. Absent the benefit of that recovery, Commercial's expense ratio for the quarter would have been approximately 35%.

International's underlying fourth quarter loss ratio was 60.3% or 5 points higher than the fourth quarter of 2013. International's full year 2014 underlying loss ratio of 60.3% was 3.1 points higher than the full year 2013. The unfavorable comparisons for both time periods were due to the large aviation and cargo losses that I mentioned earlier.

Life & Group produced a $34 million net operating loss in the quarter, compared with a $6 million gain in the fourth quarter last year. The unfavorable comparison was primarily driven by morbidity in our long-term care business, partially offset by higher investment income. Additionally, the prior year period results included a $22 million nonrecurring benefit.

Page 15 of our earnings presentation shows the results of our annual analysis of our long-term care active life reserves. While you are flipping to that slide, let me remind you that in the third quarter we performed our annual review of our long-term care claim reserves. That study resulted in a modest $9 million pretax reduction of claim reserves and provided a relatively neutral backdrop going into the fourth quarter analysis.

Looking back to the fourth quarter of 2013, the GAAP margin on our long-term care active life reserves was $350 million. As a result of the analysis completed in the fourth quarter of 2014, that margin has decreased to $100 million.

The margin reduction had no impact on our fourth quarter earnings. While the analysis is very granular and includes numerous factors, the 4 primary variables driving analysis are investment yields, morbidity, persistency and anticipated premium rate increases. The largest driver of 2014's margin change was the change in our estimated future investment yields on assets backing the long-term care liabilities.

The drop in investment market yields over the course of 2014 affected our future interest rate assumptions, which influenced the discount rate. The decrease in the discount rate assumption resulted in a $640 million reduction in the GAAP margin. Somewhat offsetting this impact was our actual investment performance over the year and our updated assumptions for future investment allocations and duration positioning.

While we reported favorable morbidity results in the first half of 2014, the morbidity trend over the past few years, including our results in the fourth quarter, have been somewhat volatile. We rolled the analysis forward 1 year and updated our assumptions to reflect this volatility, which resulted in a $195 million reduction in margin.

Finally, we updated our assumptions related to our anticipated premium rate increases. Based on our historical experience with rate increase approvals and reasonable expectations regarding regulatory action, the impact was an improvement of $260 million in margin.

Hopefully, the additional disclosure of our specific margin and both the moving pieces within the GAAP analysis, as well as the significance of those movements, is helpful to your understanding. Consistent with prior years, our 10-K will provide sensitivity information on the key assumptions when it is filed later this month.

Our corporate segment produced a net operating loss of $75 million compared with a $140 million loss in the fourth quarter of 2013. Both periods were affected by significant charges. The fourth quarter of 2014 includes the $55 million after-tax pension settlement charge, and the fourth quarter of 2013 included the $123 million after-tax charge related to our 2010 asbestos and environmental pollution loss portfolio transfer. Excluding these 2 charges, both quarters produced results in line with our expectations.

Our investment portfolio's pretax net unrealized gain stood at approximately $3.4 billion at quarter end, an increase of 7.5% since the end of the third quarter. Statutory surplus at December 31, 2014, was an estimated $11.2 billion for the combined insurance operating companies, where we continue to maintain significant dividend capacity.

Cash and short-term investments at the holding company were approximately $500 million at the year end, consistent with 2013. The reduction from our third quarter 2014 total reflects the $550 million payoff of our December debt maturity. We continue to target cash at the holding company equal to about 1 year of our annual net corporate obligations.

In the fourth quarter, operating cash flow, excluding trading activity, improved to approximately $400 million. Cash principal repayments through pay downs, bond calls and maturities were approximately $1.1 billion. Net investment income was $511 million pretax in the fourth quarter. Income from limited partnership investments was $64 million, compared with $148 million in the prior year period.

The full year 2014 rate of return from our limited partnerships was strong at 10% but down from last year's exceptional 18% return. Income from our fixed maturity securities in the fourth quarter was $447 million pretax, down slightly from the prior year period but essentially unchanged on an after-tax basis of $322 million.

Average credit quality of our fixed maturity portfolio remained at A. Fixed income assets that support our long-duration Life & Group liabilities had an effective duration of 10.5 years at quarter end. The duration decreased by 0.6 year during the fourth quarter, reflecting the impact of lower interest rates and is not reflective of any change to the portfolio's composition. The effective duration of the fixed income assets, which support our traditional P&C liabilities, was 4 years at quarter end. These durations are both in line with portfolio targets.

Overall, our investment portfolio remains well diversified, liquid, high quality and aligned with our business objectives.

We continue to maintain a very conservative capital structure. All our capital adequacy and credit metrics are well above our internal targets and current ratings. This sustained capital strength, along with the other capital management actions taken over the course of the year and the strength of our current earnings, all contributed to the board's decision to declare the $2 share special dividend and the continuation of the $0.25 per share quarterly common shareholder dividend.

With that, I will turn it back to Tom.

Thomas F. Motamed
Former Chairman and Chief Executive Officer

Thank you, Craig. As we have discussed on prior calls, over the last few years, we have been focused on improving our margins, primarily through underwriting actions and rate increases. We have made progress. However, as expected, these moves have affected our premium volume.

Our underwriting actions have included exiting programs such as overseas workers' compensation and select risk transportation. We also have taken action on unprofitable small business classes, non renewed poor accounts of all sizes and have been disciplined in avoiding inadequately priced new business opportunities.

With our customer segment strategy, we successfully changed our mix of business to more profitable industries such as financial institutions and technology. For example, since 2011, we have changed our U.S. mix of business and customer segments from 73% to 83%. We are confident that we have taken the right actions and that our customer segment and international strategies will continue to produce better margins over time.
With that, we would be glad to take your questions.

Question and Answer

Operator

[Operator Instructions] And we'll take our first question from Jay Cohen from Bank of America Merrill Lynch.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Yes, I just wanted to follow up on the comments you had about the expense ratio. I unfortunately kind of missed those numbers. If you could just go over that one more time, Craig.

D. Craig Mense
Chief Financial Officer and Executive Vice President

What I said, Jay, was that we had insurance receivable recovery and some other onetime items in the fourth quarter that lowered the reported expense ratio for P&C overall by about 1.5 points. And for Commercial -- it was all reflected in the Commercial segment. So in the Commercial segment, it would've had slightly more than a 2.5 point impact of lowering the expense ratio.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

And nothing in Specialty then?

D. Craig Mense
Chief Financial Officer and Executive Vice President

Nothing in Specialty.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Okay. And then, just a request. Since you changed the format of your presentation, it would be really helpful, since we model out each segment quarterly, to get some historical data on the new segment kind of looking backwards that would allow us to model it going forward.

D. Craig Mense
Chief Financial Officer and Executive Vice President

And Jay, I understand that you had a conversation with James Anderson about that, and we'll prepare that in short order for you.

Operator

And we'll now take our next question from Amit Kumar from Macquarie.

Amit Kumar
Macquarie Research

Just, I guess, 2 or 3 quick follow-ups. One is a broader question, Tom, just going back on your opening remarks. I was curious if you could share with us how do you think about further ROE expansion from here based on the actions that you've taken, and I guess, overlay that with the current market conditions. Is there further room or I guess the 8-ish, 8%, 9%, is that sort of the number we should be thinking about going forward?

Thomas F. Motamed
Former Chairman and Chief Executive Officer

Well, I'd certainly agree with you that the market is becoming more challenging from a rate standpoint. But we've been saying for a long time, it's not only rates, it's risk selection. It's keeping your powder dry, not writing poor business for the sake of the top line. So all our efforts are really to improve the loss ratio. And there are lots of things that go into that other than rate increase. It's how you manage the mix, focusing on the segments, et cetera, et cetera. So our objective is to constantly focus on improving the loss ratio. And that will help us in a decelerating rate environment, even though we are doing okay on rates today. So we have nothing to be embarrassed about relative to our performance on rate. So it is more challenging, but we keep moving. We did say 10% might take a little longer to get there in this current environment, but we're going to forge ahead. And we had a nice quarter and we're going to bask in the glory for about 1 hour and get back to work.

Amit Kumar
Macquarie Research

Fair enough. The other question I had was the discussion on new business. And in Specialty and Commercial, new business dipped sharply this quarter. And maybe I'm thinking about this wrong. If you're better equipped for risk selection, I would have thought that it would show some reversal in trends. Is that more of a macro issue than a micro issue?

Thomas F. Motamed
Former Chairman and Chief Executive Officer

Well, once again when you look at premium, look at retention. So our retention has been lower than most of our peers because we have been churning out blocks of business as well as weeding out business that we didn't like. So we start from a, you might say, further starting point than others because of the retention. But retention did improve 3 points in Commercial in the fourth quarter compared to the third, so we like that trend. We are being very picky on what we write. We -- automobile, we are very concerned about automobile as you've heard from others in the industry. So if you look at that, we're paring that back. If you look at workers' comp in construction, we're paring that back. So everything is about margin improvement. And as I've said in the past, if we have to get more rate, we're willing to give up retention. Well, along with that, we're willing to give up growth if we can keep the margins moving in the right direction.

Amit Kumar
Macquarie Research

Good color on that. And finally, this might be for Craig. The discussion on aviation and cargo, can you expand on that? Maybe put some numbers around that and just give some more color on that.

D. Craig Mense
Chief Financial Officer and Executive Vice President

Well, we actually mentioned it in earlier calls, Amit, and we can kind of -- James can get to it for you and give you that detail. But our aviation business, we were on a couple of the 2 Malaysian airline crashes, the Tripoli airport. So it was probably something in the order of $12.5 million of losses just from those 3 incidents, as well as some additional kind of expected losses in aviation in that marketplace and some cargo losses also out of Hardy that occurred really second, third and fourth quarter.

Amit Kumar
Macquarie Research

Got it. No, no, what I was trying to ask is was there anything, I guess, extraordinary about those losses? Or is that a function of the book or that was just sort of normal course of business losses?

D. Craig Mense
Chief Financial Officer and Executive Vice President

Well, I'd say those were pretty extraordinary losses, right, the ones that I just mentioned and not anticipated. But it's also reflective of just the health of the aviation marketplace.

Amit Kumar
Macquarie Research

Got it. No, I was asking about the quality of the book for the cargo losses and other losses.

D. Craig Mense
Chief Financial Officer and Executive Vice President

Yes, I think the quality of the book we feel was fine for the cargo losses.

Operator

[Operator Instructions] And we'll take our next question from Bob Glasspiegel from Janney Capital.

Robert Ray Glasspiegel
Janney Montgomery Scott LLC, Research Division

I've got some long-term care questions. On a numbers perspective, can you quantify the morbidity penalty in the fourth quarter than ran through operations? Number two, the 10-K disclosure that will come out, do you have a sense for what the sensitivity to 50 basis points and 100 basis points on the 10-year -- or the discount rate might be? And I do have one follow-up on that.

D. Craig Mense
Chief Financial Officer and Executive Vice President

All right, let's start with the 10-K sensitivity. A 50 basis point reduction in the discount rate would be roughly equal to the $640 million reduction that we showed in margin impact this year. And that's what you would have seen in the 10-K a year ago. I don't recall what the 100 is, but it's roughly double that amount. And then the quarter...

Robert Ray Glasspiegel
Janney Montgomery Scott LLC, Research Division

The last year was exponential...

D. Craig Mense
Chief Financial Officer and Executive Vice President

Yes?

Robert Ray Glasspiegel
Janney Montgomery Scott LLC, Research Division

Last year was exponential, this year it's not?

D. Craig Mense
Chief Financial Officer and Executive Vice President

Well, remember, last year we didn't -- last year, we did not disclose the specific margin, remember? And so, therefore, what we were disclosing was the impact on reserves or earnings. So it would -- we would have -- the margin would have been first subtracted from the impact of it. And this year, since we have little to no margin, you're seeing the full amount. So that's simply the difference, Bob. So we were hoping that with the expanded disclosure and showing you what the specific movements were and then when you get to the sensitivity charge, you'll be able -- you'll have a good sense of the business.

Robert Ray Glasspiegel
Janney Montgomery Scott LLC, Research Division

That is helpful. The morbidity in the fourth...

D. Craig Mense
Chief Financial Officer and Executive Vice President

Then you want the specific morbidity, really, the difference -- remember, we've run on order of around $15 million of loss a quarter, so the difference between the $15 million and the $34 million is rough justice of the morbidity worse results this quarter than expected.

Robert Ray Glasspiegel
Janney Montgomery Scott LLC, Research Division

I get it. If I could just get a little more color on your Page 15 disclosure, which is very helpful. You mentioned that you're able to offset the $640 million down to -- down with a couple of items with rate increases. But updated investment strategies, how are you able to get $325 million? Is that more of a credit risk or more duration or...

D. Craig Mense
Chief Financial Officer and Executive Vice President

Well, it's more duration and it's also importantly the fact that we're actually earning a much higher yield in our portfolio than we had baked into our assumptions a year ago. And we were able to shift a significant number of longer-duration, higher-yielding assets into the portfolio as a result of a life sale. So it's all -- it's those 3 things together, as well as some duration lengthening in terms of what our expectations are, that give us the positive.

Robert Ray Glasspiegel
Janney Montgomery Scott LLC, Research Division

Okay, great. And one final question, if I may, going back to sort of standard Commercial. Tom, you seem to have a little bit more of a bounce in your step talking about that line. Is it fair to say that you think that you got your arms around the problem lines, trucking and comp with the rate actions that you're taking?

Thomas F. Motamed
Former Chairman and Chief Executive Officer

Well, I think we've always had a handle on what we needed to do. And whether it is the international work comp or whether it's the trucking book, there are a couple other things that we've gotten out of totally. And then you're always trying to improve your existing ongoing portfolio. We think we're doing much better at that. What we find is that when we tier our business, and the higher tiers are the best tiers, we continue to get rate and we have very good retention. And in the lower tiers, the less profitable or marginal accounts, we don't have very good retention because we're pushing rate very hard and we're getting good rate increases on the stuff that sticks. So it's always work in progress, Bob, but I think we're executing at a better level today than we may have a few years ago. But we have better tools. We're on top of this stuff. And as I said earlier, we're not going to write business for the sake of writing business in a decelerating rate environment where all of our competitors are putting the best accounts to bed early. So you got to be choosy. But we think our execution is working very well in Commercial, and we think it will continue to do so.

Operator

And we'll take our next question from Josh Shanker from Deutsche Bank.

Joshua David Shanker
Deutsche Bank AG, Research Division

I was wondering, [indiscernible] give really guidance, but when you think about the year, does fourth quarter seem more indicative of the P&C earnings power? Or is the full year more indicative of what's going on? And my guess would be that maybe the loss ratio is more indicative on the fourth quarter, but the expense ratio for the full year. Do you have thoughts about that?

Thomas F. Motamed
Former Chairman and Chief Executive Officer

I would think full year.

Joshua David Shanker
Deutsche Bank AG, Research Division

Think the full year number is -- and so did you just have a lot of things go your way in the fourth quarter, you think?

Thomas F. Motamed
Former Chairman and Chief Executive Officer

Always nice to have a wind behind your back.

D. Craig Mense
Chief Financial Officer and Executive Vice President

Yes. And remember, Josh, that in the fourth quarter, as we reevaluate our accident year loss ratios, you get a pretty significant cumulative catch-up. So if, for example, in Specialty, we reduced the full year loss ratio expectation by 0.4 point, you get a 4x impact on the fourth quarter. So you can look at that in those slides, and you can see exactly what I'm talking about in terms of that differentiation. Which is why we always point you to the full year reevaluation of loss ratio because it's a better indication of our run rate, where we are going forward and what progress we've made.

Joshua David Shanker
Deutsche Bank AG, Research Division

I see and appreciate it. The other question is on the long-term care. The extent to which you like having a cushion, let's say interest rates next year or this year that we're in right now didn't go your way, and you were forced to take some reserving action to consolate that, would you take reserving action that would also give you a bigger cushion as well and increase the size of the cushion? Or would you merely want to keep yourself in line with numbers?

D. Craig Mense
Chief Financial Officer and Executive Vice President

It's actually fairly well prescribed. And if your margin is -- if you broach the margin and you have to reevaluate or unlock, you unlock at 0. Now we also then, of course, would be reevaluating all, just like we did this year, we are reevaluating all of our assumptions relative to the gross premium valuation. So that's the best way I can -- that's how we would think about it.

Operator

[Operator Instructions] And we'll take our next question from Mike Zaremski from BAM Funds.

Michael Zaremski

Regarding the helpful LTC disclosure on Slide 15, could you provide some context surrounding the planned rate increase benefit of $260 million? I guess like, for example, are those filed rate increases or increases you expect to seek over, let's say, the next 1, 2 or 3 years?

D. Craig Mense
Chief Financial Officer and Executive Vice President

Well, Michael, that's a good question. So that -- it's really -- there are 3 components to them. And first, fit them into a category, they are all planned rate increases, so not something that we anticipate or might happen a long time in the distance. So they could be rate increases that we've already filed, they've already been approved but they haven't been implemented. They could be rate increases that we've filed and we're awaiting approval, and based on conversation and judgments, we expect them to be approved and implemented. Or they could come in a third bucket, where we are planning on filing them over the foreseeable future. And we would anticipate, based on conversations and our own experience with regulators, that they would be approved at those levels.

Operator

[Operator Instructions] At this time, with no questions in the queue, I'll turn it back over to management.

Thomas F. Motamed
Former Chairman and Chief Executive Officer

Okay. Thank you very much. We'll see you next quarter.

Operator
And this does conclude today's conference. Thank you for your participation.