S&P Global
Market Intelligence

Everest Re Group, Ltd. NYSE:RE

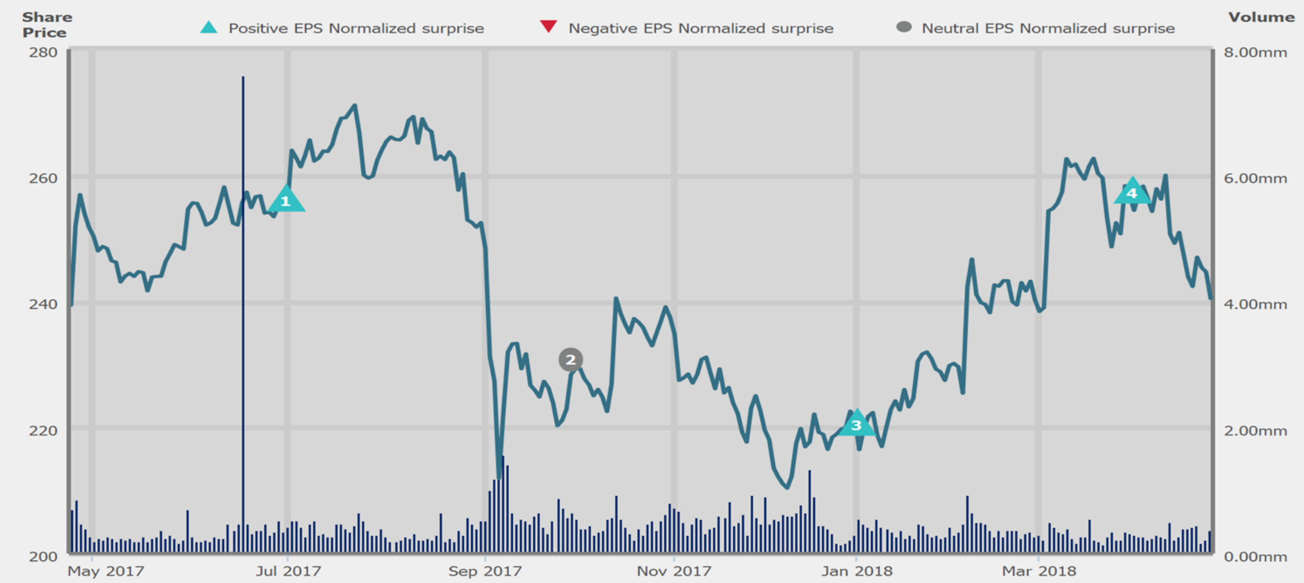
FQ2 2018 Earnings Call Transcripts

Tuesday, July 31, 2018 2:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2018-			-FQ3 2018-	-FY 2018-	-FY 2019-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.08	0.98	(9.26 %)	3.55	17.46	23.60
Revenue (mm)	1482.47	-	-	1808.40	6845.20	7206.62

Currency: USD
Consensus as of Jul-31-2018 12:07 PM GMT



- EPS NORMALIZED -	CONSENSUS	ACTUAL	SURPRISE
FQ2 2017	5.30	5.51	3.96 %
FQ3 2017	(16.13)	(16.43)	NM
FQ4 2017	5.29	13.48	154.82 %
FQ1 2018	5.33	5.34	0.19 %

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Call Participants

EXECUTIVES

Craig William Howie
Executive VP, Treasurer & CFO

Dominic James Addesso
President, CEO & Non-Independent Director

John Paul Doucette
Executive VP, President of the Reinsurance Division & CEO of the Reinsurance Division

Jonathan Martin Zaffino
Executive VP, CEO of the Everest Insurance & President of the Everest Insurance

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Kai Pan
Morgan Stanley, Research Division

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Yaron Joseph Kinar
Goldman Sachs Group Inc., Research Division

Presentation

Operator

Good morning, and welcome to Everest Re Group Second Quarter 2018 Earnings Conference Call. On the call today are Dom Addesso, the company's President and Chief Executive Officer; Craig Howie, Chief Financial Officer; John Doucette, President and CEO of Reinsurance Operations; and Jon Zaffino, President and CEO of Insurance Operations.

Before we begin, please note that the company's SEC filings include extensive disclosures with respect to forward-looking statements. In that regard, statements made during today's call which are forward-looking in nature, such as statements about projections, estimates, expectations and the like, are subject to various risks. Actual results could differ materially from current projections or expectations. The SEC filings have a full listing of the risks that investors should consider in connection with such statements.

Now let me turn the call over to Dom Addesso.

Dominic James Addesso
President, CEO & Non-Independent Director

Thank you. Good morning, and thanks for joining our call this morning. The second quarter of 2018 was a decidedly mixed quarter for Everest. Surely, the bottom line results were not where we wanted them to be, driven by the reserve charge we preannounced. Nonetheless, it was another quarter of a successful execution of our strategy.

We had a lot of success executing on the opportunities that have been presented to us in the market. We have seen strong premium growth, both in our Insurance and Reinsurance business. Plus in both segments, our underwriting and reunderwriting actions have driven improvements in the attritional loss ratio and the profit margin embedded in our portfolio.

Of course, the progress towards our strategic objectives is masked by the reserve charge. No doubt, this adjustment was disappointing. And while it reflects some broader underlying trends going on in the market, in reality, we know it will require us to improve and make changes to recognize these trends.

The underlying cause of the reserve shortfall could be attributed to 2 factors, which were not apparent to us at year-end. First, our clients are seeing a large number of reopened claims, largely stemming from the AOB threat in Florida. Ceding companies were trying to settle claims quickly, conceivably to mitigate the AOB issue.

The loss reports we received from clients showed a high percentage of closed claims very clearly, and we were encouraged by these reports. Settling claims quickly was initially a sound strategy, but what we now know is that this approach left our clients vulnerable when the actual repair bills came in higher than at what they originally closed their claim.

To a lesser extent, but for the same reasons, the claims reopening has impacted Puerto Rico after Maria as well, driving up losses, which crystallized in the second quarter. The reality was that these closed claim statistics we were seeing were a false positive.

The second factor was the extraordinary rise relative to past events in loss adjustment expenses. The expense numbers we are seeing are significantly above our historical data. In fact, we saw some treaties experience high 30s and even 40% expense loads. Again, these numbers only began to emerge in the second quarter claim reports.

Both of these factors, reopened claims and a much higher-than-expected LAE, were the overwhelming reasons for the increases we saw. Our reserves at year-end for our core reinsurance cat portfolio contemplated demand surge, but these developments were beyond anything seen before.

In addition, when coupled with the California wildfires, it had a leveraged impact on our aggregate retro book. I would refer to this as the cliff factor. In other words, our previous analysis had many of our clients' retro accounts not attaching. Now some are very much in the money.

So while these are the observations, it demands that we respond to what may be the new normal. Going forward, cat pricing will need to reflect a higher level of loss adjustment expenses, particularly for those accounts that rely heavily on third-party adjustment services.

While some of the LAE level was driven by scarcity of resources due to multiple, almost simultaneous events, for example, Citizens doubled their standard adjusted fees due to the shortage created by Hurricane Harvey, our pricing needs to better consider this new reality. Plus, our reserving process going forward needs to be refined to consider these factors when there are multiple events, as seen in 2017.

This commentary I've just gone through hopefully clarifies the circumstances and our recognition that we need to respond appropriately to changing market conditions. However, while we did temporarily get the score-keeping wrong, make no mistake that we are playing the game at a high level and will continue to do so. Our profits from our cat portfolio were $3.5 billion over the last 5 years. This business comes with volatility, but the appropriate reward for the risk is evident.

Finally, given the extraordinary circumstances of the 2017 cats and the separate process we use in setting cat reserves versus non-cat reserves, our review of our current reserves finds no read-across on the adequacy of our non-cat reserves. We are very comfortable that our track record of conservatively setting our non-cat reserves continues.

While these catastrophes obviously dominate the conversation, I would reiterate that other key parts of the organization are doing excellent, and the attritional results are reflective of that. It's critical. The continued improvement is adding profitable diversification to our portfolio. The Reinsurance portfolio has seen continued growth in mortgage and other credit-related business as well as a revival of our casualty book, where pricing has improved considerably, allowing us to entertain more deals.

Overall, reinsurance premiums earned have risen almost 30% in the first half of the year to $2.5 billion with an attritional combined ratio of 81.7%. This is an encouraging result as we move into the second half. The improvements in the attritional results reflect the trend we noted in the first quarter.

The Insurance business continues its growth trajectory, where premiums earned in the first half have increased by 17%. This growth number is understated due to the cancellation and reunderwriting of certain legacy parts of that portfolio. In fact, the new business initiatives, along with the existing go-forward portfolios, have grown almost 30% or $300 million.

As a result of reunderwriting and new growth areas, the book is now demonstrating more consistent profitability. The improving trend in the attritional is illustrated in the investor deck.

Our new products are now earning in, as you will note, by comparing earned premium to written, which should continue to improve our margins. We are well positioned to produce a good second half.

Thank you, and my colleagues will elaborate further. And of course, we welcome your questions at the end. Craig?

Craig William Howie
Executive VP, Treasurer & CFO

Thank you, Dom, and good morning, everyone. Everest had net income of $70 million in the second quarter of 2018. This compares to net income of $246 million for the second quarter of 2017. On a year-to-date basis, net income was $280 million compared to $537 million for the first half of 2017. The quarter and year-to-date results were impacted by current and prior year catastrophe losses.

Net income included $9 million of net after-tax realized capital losses compared to $50 million of capital gains in the first half of 2017. The 2018 capital losses were primarily attributable to fair value adjustments on the public equity portfolio.

After-tax operating income for the second quarter was $40 million compared to $234 million in 2017. Operating income year-to-date was $260 million compared to $501 million for the first 6 months of 2017.

The overall underwriting gain for the group was $20 million for the first half compared to an underwriting gain of $313 million in the same period last year. The year-to-date combined ratio for the group was 99.4% compared to 88.3% reported in the first half of 2017, impacted by the higher catastrophe losses in 2018.

In the second quarter of 2018, the company reported a $400 million pretax increase in its estimates for prior year catastrophe events, net of reinsurance and reinstatement premium. The increase was primarily related to the 2017 storm events, with about 1/3 of the change related to reopened claims reported in the second quarter, about 1/3 coming from higher loss adjustment expenses and the other 1/3 coming from the impact on retro aggregate covers.

The group also saw $65 million of current year catastrophe losses, net of reinsurance. Of the total, $50 million related to Cyclone Mekunu in Oman and Yemen and $15 million related to the late winter storms in the United States. This compares to $54 million of catastrophes during the second quarter of 2017.

On a year-to-date basis, the results reflected catastrophe losses of $565 million compared to $74 million during the first half of 2017. Partially offsetting the catastrophe development was $97 million of favorable prior year reserve development related to non-catastrophe reserves. The prior year favorable development was primarily identified for reserve studies completed in the second quarter of 2018. These reserves related to casualty and property reinsurance business, both from the United States and internationally. The redundancy determined from the reserve studies was recognized in the second quarter given the magnitude of the overall indications. These redundancies have developed over time, but we don't react until the position becomes more mature. We continue to maintain our loss reserve estimates for the more recent years unchanged.

Excluding the catastrophe losses and favorable prior year reserve development, the underlying book continues to perform well. The overall attritional combined ratio for the first 6 months was 85.3% compared to 85.6% in the first half of 2017. With the improvement in the attritional combined ratio and the 25% growth in earned premium, the underwriting profit has improved by more than $100 million on an attritional basis for the first 6 months of 2018 compared to the same period in 2017. Our expense ratio remains low at 5.7% for the first 2 quarters of 2018, down slightly from 5.8% for the same period last year.

For investments, pretax investment income was $141 million for the quarter and $280 million year-to-date on our $18 billion investment portfolio. Investment income was up $23 million or 9% from 1 year ago. This result continues to be driven by the increase in limited partnership income, which was up $14 million from the first half of 2017, and the fixed income portfolio. The pretax yield on the overall portfolio was 3.1% compared to 2.9% 1 year ago as both the investment-grade and alternative fixed income portfolios are up year-over-year. The duration of the portfolio remains at just over 3 years.

On income taxes, the tax benefit was the result of the amount and geographic region of the losses associated with the catastrophes and the income associated with the loss reserve releases in the quarter. The effective tax rate is an annualized calculation that includes planned catastrophe losses for the remainder of the year. The expected range for the full year is now 0 to 6%. Lower-than-expected catastrophe losses would cause the tax rate to trend toward the higher end of this range.

Positive cash flow continues with operating cash flows of $133 million for the first half of 2018 compared to $634 million in 2017. The decline reflects a higher level of paid catastrophe losses in 2018 compared to 2017.

Shareholders' equity for the group was $8.2 billion at the end of the second quarter compared to $8.4 billion at year-end 2017. The decline in shareholders' equity in the first half of 2018 is primarily attributable to the $232 million mark-to-market impact on the investment portfolio and capital returned through $106 million of dividends paid as well as $25 million of share buybacks, offset by $280 million of net income. The company returned 47% of net income to shareholders. Our capital position remains very strong.

Thank you. And now John Doucette will provide a review of the Reinsurance operations.

John Paul Doucette
Executive VP, President of the Reinsurance Division & CEO of the Reinsurance Division

Thank you, Craig. Good morning. Q2 was the first renewal season following the catastrophes in 2017 for some loss-affected areas, notably Puerto Rico and some of the Caribbean at April 1 as well as Florida at June 1. Overall, the markets were mixed, and from a rate perspective, they varied based on loss activity as well as macro and local supply/demand factors.

However, these and other renewals in Q2 provided our underwriters with an opportunity to reshape our portfolio by capturing higher risk-adjusted rewards. We improved our portfolio by achieving rate increases, particularly on loss-affected Puerto Rican and Caribbean accounts, growing share with some key Florida clients, reallocating capacity to different attachment points and better price layers. We also saw more turnover in the book as we decreased shares or declined poorly priced deals and scaled up capacity on more attractively priced opportunities.

Shifting capacity from excess of loss layers and proportional treaties on programs to where we are paid the best risk-adjusted price using our leading reinsurer position in the market to get preferred signings and utilizing both alternative capital and our equity capital to most efficiently match risk to capital all position us for better-than-market results. These advantages benefit us even for flat renewals and help drive some of this year's premium growth.

Our Reinsurance gross written premium for Q2 was $1.4 billion and $2.8 billion year-to-date, which is a 29% growth in premium over year-to-date 2017, driven by growth in all of our Reinsurance segments. Some of our growth in Reinsurance was due to increased excess of loss and quota share participation on existing treaties and also new quota share treaties with improved profitability following the 2017 cat losses.

In addition, we achieved some impactful reinsurance successes with several key global clients who want to trade more broadly with leading global reinsurers such as Everest Re across multiple lines of business around the world. Over the last several years, we have deployed significant resources to understand and be responsive to the risk transfer and risk financing needs of our global clients. Consequently, we continually expand our strategic relationships with several of these global clients and, thus, meaningfully have increased our in-force profitability and future opportunities with them.

We also benefited from rate improvement in certain lines, especially loss-affected property lines and select casualty and professional lines. We believe our current portfolio overall is stronger and more resilient than it has been for a long time. As Dom stated, our results did suffer from development on the 2017 events, predominantly from Irma and Maria. The confluence of 3 significant catastrophe losses within 5 weeks caused a surge in demand for loss adjusters, inflating loss adjustment expenses to exceptional level.

In addition, claim reopening frequency in both Florida and Puerto Rico were higher than expected. As noted earlier, the combination of increasing loss estimates due to reopened and loss adjustment expenses, coupled with the losses on the California wildfires, had a more severe impact to aggregate covers which we wrote.

Including the 2017 loss emergence, Reinsurance produced 107% combined ratio for the quarter. However, our attritional combined ratio was 79.8% for the quarter and 81.7% year-to-date compared to 84.2% and 82.1%, respectively, in the prior year periods. This quarter's loss ratio benefited almost 2 points from lower non-cat weather losses and a better expected loss ratio. The improved attritional combined ratios are noteworthy given the increased share of proportional business and additional casualty writings, which both typically run to a higher attritional combined ratio than a more property-dominated excess of loss portfolio.

In our U.S. Reinsurance segment, gross written premium of $1.3 billion year-to-date grew 23% versus the same period last year. Growth was broad-based across property and casualty lines. We saw new opportunities for excess of loss and pro-rata deals, which included some new commercial and personal pro-rata business, additional mortgage writings, reinstatement premiums and increased facultative writings.

The Q2 year-to-date combined ratio was 116.8%. The corresponding loss ratio was elevated by 43 points of cat losses, mainly from the development on hurricanes Irma and Maria and the combined impact that these losses had with other 2017 events on aggregate covers. However, the year-to-date attritional loss ratio decreased 2 points to 54%.

The international segment, with gross written premium of $766 million, grew by 31% in this year-to-date period. This included growth in Latin America on new opportunities and larger post-loss treaty participations, increased pro-rata writings and additional capacity deployed on international fac deals in an improved post-loss rate environment as well as growth in new lines of business around the world such as Indian crop reinsurance out of our Singapore office and new products out of our Canadian operations.

The combined ratio for the first 6 months was 88.2%. The 6-month loss ratio was impacted by 14 points of catastrophe losses, which included about $50 million from Cyclone Mekunu in Oman, with the rest predominantly from Hurricane Maria. The attritional loss ratio is running about flat year-to-date at 51%.

The Bermuda segment had gross written premium of $785 million or 41% growth during the first half, with contributions from writings covering various territories and lines of business. This included growth in London, Zurich and Bermuda operations in various lines in both excess and pro-rata business and included some large opportunities with multinational insurers and continued expansion of our trade credit, surety and political risk capabilities and writings. The segment achieved an 83.6% combined ratio in the first half, with the attritional loss ratio up less than 1 point to 58.6%. The loss ratio was affected by business mix, including additional premium.

Now turning to the 6/1 and 7/1 renewal. Overall, the market offered modest rate increases for both property and casualty. Accordingly, we did not just follow the market but proactively structured our global property portfolio in a competitive post-loss rate environment to maximize our returns by allocating larger lines on more attractive deals and reducing or declining underpriced deals. Through this process, we improved our portfolio for this renewal season, representing a better risk-adjusted return as we head into this wind season with less exposed limit, less PML, more premium and more expected profit than last year. While some competition on the property side sought to increase market share, we stuck with accretive deals from our core clients that recognize the Everest long-term value proposition.

In the end, particularly with the increased deployment of capacity to capped pro-rata treaties, we materially increased our premium while our cat exposure is flat or down, depending on the territory and return period.

With respect to our casualty portfolio, we achieved some rate increases and lower ceding commissions. Modest improvement in reinsurance terms continued as the casualty reinsurance market has stabilized considerably from recent years. In addition, we added new profitable casualty business, which was not offered to much of the reinsurance market. Whether due to our long-term client and broker relationships, superior ratings, balance sheet strength or the ability to lead reinsurance programs for clients in all P&C lines around the world, we are often included in a select group of reinsurers invited to play on unique market opportunities.

In the mortgage reinsurance markets, we remain a leader with a robust in-force mortgage book and significant future opportunities. With improved loan underwriting practices by lenders since the financial crisis, loss expectations remain muted in the near term. However, we remain watchful of potentially destabilizing macroeconomic forces and/or heightened competition and will manage our portfolio accordingly.

We are pleased with our progress at building a better-positioned, meaningfully larger and more diversified global reinsurance portfolio. We remain confident that we can execute in a market that is transforming at an accelerated rate, whether it be from third-party capital, M&A consolidation, evolving distribution channels or rapid technology change and disruption.

With that backdrop of fast-paced change, Everest Re will continue to differentiate itself with global breadth of capabilities across all P&C lines; meaningful and relevant capacity supported by alternative capital through Mt. Logan, cat bonds, traditional and nontraditional hedges, evolving and innovative capital structures, all allowing us to maximize the value proposition to our customers while enhancing returns to Everest shareholders; creative product structuring to deliver customized risk transfer and risk financing solutions for our clients; and expense efficiency and nimble execution via our flat and lean organization, allowing us to capture more dollars of margin for each dollar of premium than most of our competitors.

Thank you. And now I will turn it over to Jon Zaffino to review our Insurance operations.

Jonathan Martin Zaffino
Executive VP, CEO of the Everest Insurance & President of the Everest Insurance

Thanks, John, and good morning. Our global specialty insurance operations delivered a solid quarter of performance. We are encouraged by our steady improvement and the progress we are making toward our key goals. Prominent among these goals are diversified and profitable growth and increased resilience across our in-force portfolios and operating platforms. Our team has done an outstanding job executing on the plan and building upon the many foundational pieces we have put in place over the past 3 years.

The second quarter brought some notable performance highlights, beginning with the highest level of quarterly gross written premium, net written premium and net earned premium realized in our Insurance operation's history. It further marks the 14th consecutive quarter of year-over-year growth in our business. This achievement is the result of highly diversified growth across our property and casualty and accident and health operations, our growing geographic reach and our consistently evolving product capabilities. It also speaks to our increasing relevance within the specialty insurance market.

This quarter's results are also encouraging considering our 2 largest underwriting divisions by gross written premium in the quarter, Everest Underwriting Partners and our U.S. property group, experienced notable declines in their premium production due to various deliberate underwriting actions.

Importantly, this quarter builds upon the underwriting profitability achieved in the first quarter of this year and brings our year-to-date underwriting profit to $22 million, a more than twofold increase over prior year first half. Our second quarter underwriting profit is $9.5 million, a 3x increase over 2017 second quarter and $37 million more than our 2016 2Q performance. Further, 5 of the last 6 quarters have produced an underwriting profit, the lone exception being the third quarter of 2017, where we, along with the rest of the industry, felt the impact of unprecedented cat activity. We are encouraged but not surprised to see our profitability increasing as we expand our specialty product premium writings along with our top line results.

An area of continued focus for the Insurance operation is the attraction of industry-leading talent across our expanding global platform. Everest Insurance remains a highly desirable home for talented professionals across a range of disciplines. In fact, more than 500 colleagues have chosen to join Everest over the past 3 years. These talent acquisition efforts continue to fuel our growth while ensuring we have the right people in place to support our expanding books of business. Notable hires this year include a new CEO of our Canadian Insurance operation, the Everest Insurance Company of Canada; a new leader of the Specialty Insurance Group, our dedicated platform in the sports, entertainment and leisure space; and a new head of our E&S Casualty operations.

Each of these leaders strengthens our already deep bench of talent and are representative of the top-flight professionals joining our organization. The evolution of Everest Insurance is a long-term effort, and there is room for further improvement. But there is no denying the many strategic actions we have taken since 2015 are beginning to take hold and evidence themselves in our underlying results.

Turning to the financial results. For the second quarter of 2018, the global insurance operations produced $646 million in gross written premium, an increase of $77 million or 13% over second quarter 2017. Adjusting for a second quarter 2017 renewal rights deal that enhanced our wholesale property platform, gross written premium growth improves to 17%. Year-to-date, gross written premium rose to $1.2 billion, a $147 million or 15% increase over the same period of 2017. Adjusting for the renewal rights deal, first half gross written premium growth also comes in at 17%. Again, gross written premium for the second quarter represents the single largest quarter of production in our history and shows a 96% increase over 2Q 2015, nearly doubling our production from when we started this transformation just 3 short years ago.

The significant addition of new products, which continue to gain scale, coupled with strong performance from our many existing product areas, contributed to this excellent result. 9 of our 11 major business segments showed year-over-year growth in the first half, while our line of business mix remained generally stable, with roughly 40% of our premium written in short-tail classes and the remainder in our specialty and casualty lines.

Our net written premium growth, while still a healthy 6% year-to-date over the comparable period of 2017, was impacted by 2 notable items. First was the previously discussed 2Q '17 renewal rights deal, which included a onetime transfer of unearned premium in that quarter. If we exclude this onetime item, net written premium growth improves to 8% for the first half. Further impacting net written premium growth are additional hedges we have implemented for our wholesale and retail property portfolios, which included a onetime cession related to a new quota share placement incepted on April of this year.

Net earned premium in the quarter was $408 million, an increase of $45 million or 12%. Year-to-date, net earned premium increased by $114 million or 17% over the prior period to $802 million. The growth in earned premium has been anticipated as various new business ventures incepted over the past 3 years begin to earn through the P&L at a greater rate.

Turning to the combined ratio. For the quarter, the GAAP combined ratio was 97.7%, a 140 basis point improvement from the second quarter of 2017. Year-to-date, the GAAP combined ratio was 97.3%, a 150 basis point improvement over the comparable prior year period. Our attritional combined ratio for the quarter and year-to-date period are 95.4% and 96.6%, respectively. This represents a 1.8% increase over 2017's second quarter of 93.6% and a 90 basis point increase over 2017's year-to-date result of 95.7%.

Last year's second quarter attritional combined ratio had a onetime benefit from an adjustment to our A&H portfolio, which accounts for the majority of the 90 basis point increase in the year-to-date attritional combined ratio. This quarter's loss and loss adjustment expense ratio improved 1.6% from the prior year period to 68.7% from 70.3%. This includes 2.6 points of cat activity in the current quarter related to late winter storms in the U.S. This compares favorably to the 3.6 points of cat activity in 2Q '17.

The second quarter '18 attritional loss ratio increased 1.5% to 66.3% from 64.8% in 2Q '17. However, on a year-to-date basis, the 2018 attritional loss ratio of 66.2% remains very stable and, in fact, is flat compared to the first half of '17.

Our expense ratio was stable in the quarter as we take advantage of our improved scale to continue our investment in people and technology. Our expense ratio in the second quarter was 29%, down from the first quarter result of 31.9% and essentially flat from 2Q 2017. For the year-to-date period, the expense ratio was 30.5%, up 100 basis points from the 29.5% in the comparable period of 2017. Again, we anticipate the expense ratio to stabilize as we continue on our growth path and as earned premium continues to come through in the second half of the year. As we've stated in prior calls, an expense ratio of roughly 30% remains very competitive in the specialty insurance segment.

I want to spend a few minutes on the rate environment and share some observations with regards to pricing. Overall, I will break this down into 3 areas. First, we see some encouraging trends in parts of our U.S. property and commercial auto books, for example. Second, we are encouraged by some gradually improving lines of business such as primary general liability and various professional lines. And third, there remains some areas under a higher degree of rate pressure, namely U.S. workers' compensation, which we will continue to closely monitor.

Overall, excluding workers' compensation, Everest Insurance produced an aggregate rate change of plus 5.8% in the second quarter, which is the strongest rate change we have seen since the second quarter of

2012, a 6-year high. Further, this continues an upward trend in non-workers' compensation rate change that began in the beginning of 2017.

As for the encouraging areas, commercial auto was up 14% for the quarter and 13.1% year-to-date. Property rates increased 13.1% for the quarter and 12.6% year-to-date. Commercial auto has been on an upward trend over many quarters, and for property, the second quarter was the fourth in a row of growing rate increases.

As for lines showing steady rate improvement, primary general liability is gaining momentum, and the quarter's plus 3.2% change is more than double the rate increase we experienced in the first quarter of this year. Further, the second quarter marks the sixth quarter of the last 7 in positive rate change territory for this line. As with respect to various professional lines, we continue to experience moderate rate pressure, although overall rates appear to be bottoming out, coming in near flat for the quarter.

Workers' compensation, despite coming under persistent rate pressure, continues to perform well and in line with our view of loss experience across our portfolio. As stated previously, we remain encouraged by the profitability of this line of business, and we'll carefully monitor rate and loss cost trends in the coming quarters.

Some concluding comments. Stated simply, the momentum across our global specialty insurance operation continues. Strong premium growth and increasing profitability are being achieved alongside continued investments in talent, technology and operating platforms. We have built an adaptive, resilient and relevant specialty insurance organization that we continue to grow, guided by our #1 priority of profitable, sustainable growth. We look forward to continuing our momentum and reporting back to you next quarter. Now I'll turn the call back over to Todd for Q&A.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Josh Shanker with Deutsche Bank.

Joshua David Shanker
Deutsche Bank AG, Research Division

In your prepared remarks, you spoke about what you got wrong on the cat losses last year and suggesting you've underpriced loss adjustment expenses. So is the book of business you have in cat today underpriced relative to what you should have priced it at in January 1?

John Paul Doucette
Executive VP, President of the Reinsurance Division & CEO of the Reinsurance Division

Josh, it's John. Thanks for the question. I would not characterize it that way, and we always are continuing to evaluate loss trends and factors that go into our pricing. And really, it was a function of the loss adjustment expenses that happened in totality when the multiple events happened. But we do look at and have modified our loss adjustment expenses going forward and we did going into this renewal season at 6/1.

Joshua David Shanker
Deutsche Bank AG, Research Division

Did that change the competitiveness about how you could participate? Did you find that your bids were better accepted at 1/1 than at 6/1?

John Paul Doucette
Executive VP, President of the Reinsurance Division & CEO of the Reinsurance Division

I think there's a lot of countervailing currents that are happening. And at 1/1, that's more of a different market. 6/1 is Florida, and there's a lot more territories at 1/1. So I think there are a lot of moving parts, including some of the capital. I think there was more macro overarching supply/demand as we headed into 6/1. There's a lot of moving parts that are there. We did, as I mentioned in my prepared remarks, we did write more on deals that we liked and wrote -- declined several deals or reduced the share of deals that we didn't like. And some of that was pricing. Some of that was what we thought the right kind of either an agreement or disagreement on what the price equilibrium should be for losses that happened or losses to particular layers, so either by region or to a client or to a layer than what we thought the price equilibrium should be for that. So it was more than usual churn in the portfolio this Florida season than we had seen, but we were, in the end, pleased with our ability to deploy the capital, supporting the clients that we wanted to support. We also wrote more proportional business, as we indicated, both in casualty and in property.

Dominic James Addesso
President, CEO & Non-Independent Director

Josh, these multiple events also had -- because they were multiple events, had a disproportionate impact on our retro ag book. And as a result of pricing demand that we had back in January 1, we actually have less exposure there than we did in the previous year.

Joshua David Shanker
Deutsche Bank AG, Research Division

Yes. If you think about your outwards reinsurance book, I think that in retrospect, you wish you had certain kinds of protection, particularly around LAE, that you didn't have coming into this year. Do you feel well protected on your outwards reinsurance book this year? Or does it carry with the same risks that befell you in 2017?

Dominic James Addesso
President, CEO & Non-Independent Director

Our -- first of all, a big portion of our outwards book is through Mt. Logan, which is proportional as well as some Facultative specific deals, which again are, for the most part, proportional. So those are not affected. Our cat bonds, which, frankly, make up the bulk of our protections beyond Mt. Logan, are really intended to be -- protect against capital events, not earnings events. So we still feel very comfortable with our cat load that we profess to be under 9%, and that our protections are the same or better.

Operator

Our next question comes from Elyse Greenspan with Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

So my first question, just trying to get a bit more color on the increase to losses for 2017. So you guys mentioned part of it was related to the AOB issue in Florida. Now we've seen that going on in the state with a bunch of the homeowner insurers for some time. So in retrospect, I mean, maybe are you a little bit less surprised that this happened? Just a little bit more color there. And then my second question would be, I don't know if it's IBNR that you can disclose in relation to how you're carrying for these events or some other metric, I guess. So we would expect we can kind of look to a number and say this has been fully addressed and we don't expect any additional movement from here.

Dominic James Addesso
President, CEO & Non-Independent Director

I will ask Craig to address the IBNR question, but relative to the AOB, the AOB issue was not the AOB per se. It was the threat of AOB that we think was driving the number of reopens. So again, to be clear, the -- what we were seeing as increases were due to reopens, not as it relates specifically to AOB. Craig, on the IBNR question?

Craig William Howie
Executive VP, Treasurer & CFO

Elyse, on the IBNR, we believe that we put up adequate IBNR. When we went through these calculations for these catastrophe events, our goal was to put this issue behind us. And so we believe the IBNR that we hold for all our cat events, and that's separate from our non-catastrophe reserves, is adequate to cover any and all prior year cat.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Okay. And then my second question, maybe this ties back to a little bit of what Josh was asking. But if we look at your losses, following on this quarter's increase as a percent of equity, you're really -- you do stand above your peers following this increase. So in retrospect, as you think back, were you carrying too much risk to the 3 storms? And I guess as you've -- you did mention writing less aggregate retro this year. So do you think, given that the increase happened kind of right around when the midyear renewals were taking place, do you think that you were able to kind of see it in time to make enough adjustments to the book you're carrying into this year's wind season?

Dominic James Addesso
President, CEO & Non-Independent Director

Right. So in response to your first question, I'll take a little bit of -- I slightly disagree with characterizing it as above our peers. It's frankly more in line. We manage our cat exposure, as you know, on an after-tax basis, as do many others. But most others, aren't being in Bermuda, don't have some of the same advantages from our tax structure that we do. So frankly, we consider it on that basis. And again, given our capital position, given what I mentioned in my script, was that, again, over the last 5 years, our overall cat portfolio has been extremely profitable, generating over $3.5 billion of profits in that 5-year time period. As well as I think if you look at our operating ROE compared to our peers, I think you'll find that we lead the group there as well. So the answer to your question relative to tax is we manage our cat exposure at less than 9 points, combined ratio points on an annual expected basis. And frankly, over the last 5 years or 10 years, it's actually proven to come in right in around that number, so we think we've kind of optimized our portfolio. The fact that we write a lot more retro and retro ag than most other participants, again, because of our size and our scale, can lead to a little bit more volatility. But again, we think that that's come with the appropriate returns. I don't know if that answers your question, but...

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Yes, that does. And then one last question, moving away from the cat increase. The current accident year results were pretty strong in Reinsurance in the quarter. In the prepared remarks, I believe you said 2 points was from non-cat weather. You showed about a 5-point improvement in your accident year loss ratio in Reinsurance in the quarter, which did stand out, as you commented, just given the shift to pro-rata and casualty business. So is that, as you think going forward, is that a level of improvement that can be sustained? Or were there some other one-timers in the quarter? Or should we just look to the half year number as representative of the underlying margin improvement we could see?

Dominic James Addesso
President, CEO & Non-Independent Director

I always prefer to look at a half year number because any 1 quarter can have a fair bit of volatility in it, but I think the half year number is fairly reflective of what we expect going forward, recognizing, of course, that it was positively impacted by the non-cat -- the scarcity of non-cat cat events, which, frankly, has not occurred for a number of years. You might recall last year was -- for both primary companies and reinsurers, there was a lot of storm activity in the first half of the year that didn't reach the level of, in our case, $10 million per event, so we call them non-cat cats. But recognizing that difference, depending on how you would like to account for that in your models, again, the 6-month numbers would be more reflective of how we see the portfolio.

John Paul Doucette
Executive VP, President of the Reinsurance Division & CEO of the Reinsurance Division

And Elyse, it's John. I'd just add a little more color on the portfolio. So we did see rate increases at different points in time this renewal season post the events. Again, we talked about it at 1/1. Was it as much as we were hoping for? No. But we did see rate increases at 1/1, 4/1, 6/1 and 7/1, and that is going to have some impact in the numbers you're looking at. We also -- as we continue to build out our mortgage and credit portfolio, that has run to an attractive combined ratio. And there's a lot of other things. I talked about the global clients and the strategic relationship we're building with some of those, also has run favorably. So there's a lot of moving parts. But again, just to reiterate from the prepared comments, we really believe that our overall portfolio, our U.S. international casualty, professional, property, mortgage, structured is better positioned today that we've been able to get rate in some places but also position the portfolio and build some -- a stronger portfolio overall that will impact -- that has impacted the attritional combined ratio.

Dominic James Addesso
President, CEO & Non-Independent Director

To further add to that, John mentioned in his prepared comments about, as well, a low combined ratio line expansion in -- or growth in trade credit, political risk and surety. Again, we have, over a number of quarters now, worked hard to diversify our portfolio not only by product and class of business but also geographically. And I think if you look at the underlying metrics, you'll find that we've achieved a lot of that success. And that's, in part, what's driving down what historically had been a much higher annual expected cat load, driving that down below 9%. Notwithstanding the fact that, yes, we have these events in '17, but again, given the fact that we have a retro book that, in retrospect, was not -- is not a surprising outcome.

Operator

Our next question comes from Yaron Kinar with Goldman Sachs.

Yaron Joseph Kinar
Goldman Sachs Group Inc., Research Division

My first question, on the Reinsurance front. So Everest, I'd say, is probably a little bit of an outlier in terms of the strong growth in net premiums written that we've seen, and that growth has accelerated this quarter. John, I know you said that this growth was broad, but I'm just curious, are there any particular notable deals that drove this particularly strong growth this quarter? And are you seeing the ceding commissions or the ceding rates relatively stable?

John Paul Doucette
Executive VP, President of the Reinsurance Division & CEO of the Reinsurance Division

Yaron, thanks for the question. So we are -- so a couple of things. So I mentioned the global clients. And so the large, the top 15 or so multinational insurers, we see them coming back, I would say, the pendulum, and we've talked about this over the last several earnings calls or years, where they were retaining more, centralizing their ceded, re-globalizing their treaties. And sometimes, that worked for them on a pro forma basis, and sometimes, it didn't. Maybe it didn't work as well on some of the classes of business with some of the volatility they wanted. And we do see that there seems to be -- as the pendulum seems to be moving a little bit in the other direction, that they're potentially ceding more. And that is a disproportionate advantage to Everest because they have very strong-type reinsurance security committees. They want to trade with people in basically all lines of business, not just property. They want to trade with reinsurers in all lines of business, and they want to trade with them around the world. And given our broad portfolio and experienced underwriters that are situated in all the major markets, hubs around the world, we have that ability to trade with the global reinsurers locally as well as holistically at a corporate level. And that is driving not all, but it's driving some of it. We're also seeing continued opportunities in the mortgage space. And frankly, we are seeing other clients coming to the market with casualty and professional reinsurance treaties in a way that we haven't seen the last couple of years. So we had been bearish on the casualty space for many years and ahead of our peers on decreasing as the ceding commissions went up, and we didn't like the trade as much or the strategic positioning of that. And we're directionally moving -- increasing our capacity to that space as we do see more favorable dynamics for us to allow us to support casualty and professional treaties. And again, we do have some strategic relationships there, not just with the global clients, that are resulting in some meaningful premium opportunities. And you asked about the ceding commissions. We are seeing, in some cases, the ceding commissions coming down. There's been a lot of talk about that, that maybe if property can't subsidize other lines of business, that other lines of business will have to stand more on their own. So at 1/1, we were pleased with that, and we continue to see some favorable movement on ceding commissions across our long-tail book of business.

Yaron Joseph Kinar
Goldman Sachs Group Inc., Research Division

That's helpful. And just to clarify, the increased use of your services and your balance sheet by the global clients, that's coming -- that's broad-based? Or is it coming from a concentrated number of clients?

John Paul Doucette
Executive VP, President of the Reinsurance Division & CEO of the Reinsurance Division

So we trade basically with all of them, the top 14, 15, 16 of them, but it varies, where some of them, we trade a lot more. And part of that's their cession strategy, their reinsurance strategy on how -- where they are in that thought process. Part of it is long-term relationships that we've developed with them. Part of it is where they're situated. So there's a lot of moving parts, but we do trade with all of them. But what we are seeing is our ability that when they come to the market, they would come and talk to Everest. They'll come and talk to a few other large global reinsurers, but they won't necessarily talk to a broad reinsurance panel. And again, that is disproportionately impacting favorably our ability to grow the book and diversify the book.

Dominic James Addesso

President, CEO & Non-Independent Director

Our growth with these global clients, for most of those relationships, the total volume has grown. Not all, but -- so we can't -- if you're trying to get to is there are small handful, it's across the spectrum, no.

Yaron Joseph Kinar
Goldman Sachs Group Inc., Research Division

Okay, that's helpful. And then on the Insurance side, I guess given that net premiums earned are up over 15% in the first half of the year, why would the expense ratio deteriorate year-over-year?

Jonathan Martin Zaffino
Executive VP, CEO of the Everest Insurance & President of the Everest Insurance

This is Jon. I think you're going to see some movement in any discrete quarter based on the timing of our hiring effort, the timing of various investments in technology. I think what we're aiming for is, again, as I said in my prepared remarks, that 30% level is quite competitive. But there's a lot of moving parts as we continue to expand geographically in various lines of business and make various investments. So that's part of it. We look at the -- on a trailing 12-month basis, it's trending the right way. And we also looked at it compared to first quarter, which obviously was a nice improvement. So we're pretty comfortable with where that's been.

Operator

Our next question comes from Amit Kumar with The Buckingham Research Group.

Amit Kumar
The Buckingham Research Group Incorporated

I have 3 follow-up questions to the loss development discussion. Number one, just going back, I guess, in your opening remarks, you outlined 2 reasons for the loss development. Two other companies in our universe talked about the same reasons, yet they actually released reserves from 2017 events. How can we, as outsiders, reconcile these 2 things in which Everest is an outlier?

Dominic James Addesso
President, CEO & Non-Independent Director

Well, Amit, I can't speak to what their process is, and I think I've already suggested that we have to make some changes in the way we look at these things. And I'll point back to -- and I can't speak to what the circumstances were in these 2 companies, some of which, by the way, we may have supported on the retro side and didn't see losses from them until the second quarter. So that's kind of an interesting sidebar. But we were disproportionately impacted by our retro ag book, which, by definition, is going to be a [late report]. And I think overall, I can't speak to what they've done versus what we've done, but we know we have to make changes to how we address these multiple events going forward. I will also point to the fact that -- you might recall that in the weeks following and the months following these events, that widespread press reports of claims being closed, the events were not as large as was expected. So there was some market chatter, if you will, that wasn't setting off any alarm bells for us. And clearly, in retrospect, that was a mistake, and we readily admit that. But for sure, the loss itself is certainly contained within our capabilities, within our earnings. Our long-term track record is still intact. And when you go back and push this event back into '17, I still submit to you that our operating returns were better than all of our peers.

Amit Kumar
The Buckingham Research Group Incorporated

Fair point. I guess it's just relating to that answer. Can we have some comfort -- or how much limit is left in this cover, which you were referring to? And how will this respond if there is any additional development?

Dominic James Addesso
President, CEO & Non-Independent Director

I'll ask Craig or John to...

Craig William Howie
Executive VP, Treasurer & CFO

So Amit, as we went through this from the ground up, we did look at the aggregate covers that had losses submitted on them, and we know what those limits are that remain on those covers. But what we really did from a modeling standpoint and going to the underlying underwriters was try to find out what other aggregate covers have we written where we haven't seen a loss selection yet, and we are trying to extrapolate that across our portfolio. So that's what's included in our additional loss estimate for these events.

Amit Kumar
The Buckingham Research Group Incorporated

Got it. The third and final question. It's been a few years since we've discussed models and their efficacy. I know in the past, I think you have mentioned using an AIR model. Any thoughts on AIR versus RMS and even any thoughts of changing the models that you use?

John Paul Doucette
Executive VP, President of the Reinsurance Division & CEO of the Reinsurance Division

Amit, it's John. So look, we are well aware of limitations of the models and that these are tools and one of the things that go into how we underwrite, how we price and how we reserve. And there were many examples during not just the 2017 events but events prior to that, that showed model misses from the major vendors, and that happened multiple times, including during the 2017 events, with orders of magnitude missed. So we agree with you that the models are a tool and need to be thought that way, and so we rely -- we look at the models, but we rely on first principles as well as underwriting who the clients are we want to support, what do we think of their underwriting, what do we think of our positioning with them, how they trade forward, how they treat reinsurance and/or retro riders. And we think that allows us to both build a profitable book of business as well as build a sustainable, competitive franchise with clients that we have around the world.

Amit Kumar
The Buckingham Research Group Incorporated

But you still use the AIR model, right?

John Paul Doucette
Executive VP, President of the Reinsurance Division & CEO of the Reinsurance Division

Yes. We use AIR. We also look at RMS. We look at other -- a lot of AIR and RMS haven't developed in some of the more developed developing countries, and we look at local models. We try to look at all data sources, all modeling, all vendor models that we can to determine what we think is Everest [fewer] risk.

Operator

Our next question comes from Kai Pan with Morgan Stanley.

Kai Pan
Morgan Stanley, Research Division

My first question is on this current quarter, second quarter catastrophe losses. $65 million seems to be higher than your pre-announcement 2 weeks ago. I just want to clarify that.

Craig William Howie
Executive VP, Treasurer & CFO

So Kai, this is Craig. We preannounced a net after-tax number, and that number was net of other current year weather-related losses. So as you heard us talk about, we were able to lower our loss selection on the Reinsurance side for non-cat losses, if you will, anything below $10 million. We were able to lower that loss selection because we didn't have many events during the first half of the year that were indicating reinsurance exposure. So that's what was offsetting that $65 million, and then the rest is after tax to get us to the $25 million that was in the prerelease.

Kai Pan
Morgan Stanley, Research Division

Okay. So that portion benefits your underlying core loss ratio in your Reinsurance operations?

Craig William Howie
Executive VP, Treasurer & CFO

That's correct. It was not a cat event. It was the underlying Reinsurance attritional loss ratio.

Kai Pan
Morgan Stanley, Research Division

Great. My second question, on the Insurance side. It looks like if you take out adjustments a year ago, it's pretty flat in terms of combined ratio, underlying combined ratio. Given the business growing and still probably not up to the goal of mid-90s combined ratio yet, so do you think there's room for further improvement towards that goal and how quickly you can get there?

Jonathan Martin Zaffino
Executive VP, CEO of the Everest Insurance & President of the Everest Insurance

Kai, it's Jon. Yes, let me -- remember, there's 2 things going on in the second quarter comparative. First, as I mentioned, was the renewal rights deal, which moved some things around. Secondly was the onetime adjustment for our A&H book. So achieving the flat both loss and combined on an attritional basis, that feels like we're directionally moving the right way considering some of the deliberate underwriting actions we took throughout the first half of the year and actually, candidly, we have for the prior couple of years. We expect that momentum to continue. For instance, some of our newer businesses, which we think have very, very favorable risk-return characteristics, were about 1/3 of our premium writings in the quarter. That's an all-time high from the inception of each of these. So as that continues to earn through, we do expect further improvement. Again, you might get some movement in any discrete quarter based on various movements across the book, but overall, we still think there's room for improvement.

Dominic James Addesso
President, CEO & Non-Independent Director

To answer that, Kai, we have some of our newer lines of business, longer earning periods, whether it's surety, trade credit, political risk, transactional risks. And those portfolios are beginning to build, and the earned premium is growing proportionally there. And those are very low combined ratio classes.

Kai Pan
Morgan Stanley, Research Division

Okay, great. Last one, if I may, on the buybacks. And it looks like you resumed buyback, $25 million in the quarter. I assume that's before you know this loss revision in 2017 events. I just wonder what's your thought process behind it. And now you've started trading below 1.1x book. Will you be more aggressive in buying back your own shares even during the wind season?

Dominic James Addesso
President, CEO & Non-Independent Director

It is a very attractive price.

Operator

We'll take our last question from Meyer Shields with KBW.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Two quick ones, I think. First of all, in Reinsurance, was there any change in the accident year loss pick for casualty and specialty lines from the first quarter to the second quarter?

Craig William Howie
Executive VP, Treasurer & CFO

There was -- there's always movement, Meyer, with respect to loss picks throughout the quarter. We constantly look at -- we hold reserve committees at the end of each quarter. As part of that process, we do that both on the Reinsurance side and the Insurance side. But as we go through that process, we look at everything. We look at rate change, up or down. We look at loss cost trend, up or down. But there's constant movement in those expected loss ratios in any given quarter. Were there movements this quarter? The answer is yes. Slight movements only.

Dominic James Addesso
President, CEO & Non-Independent Director

But nothing material, and some of that has to reflect the fact that we had some newer business coming into that line. So it has to be reflective of the business that we're now putting on the books. But generally, it's been pretty stable.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Okay, that's very helpful. So in the past few years, you've had phenomenal aggregate reserve development generally concentrated in the fourth quarter. I know this is sort of an unrealistic question, but should we assume that some of the second quarter reserve releases came out of what we would normally see in the fourth quarter as a function of conservative reserving?

Dominic James Addesso
President, CEO & Non-Independent Director

Well, part of the answer to that question, and it's not a ridiculous question, the reserve studies that we had done this time are the same reserve studies that we do every time for this kind of year. Typically, those reserve studies, because they're smaller lines of businesses, don't produce these kinds of results, which -- and therefore, they're not material. And therefore, sometimes -- if they're material, they get booked. If they're not material, then we wait until the fourth quarter. So this time around, we have some relatively smaller lines of business or classes of business that produced pretty favorable number, obviously. And so obviously, I don't know the answer to your question because we haven't done the year-end reserve studies yet, but typically, you wouldn't expect this level of releases from the lines of businesses that were under review. And therefore, you wouldn't expect these lines of business to have contributed that much to the year-end reserve releases. Is that helpful at all?

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

It is, yes, very much so. And I guess just a final follow-up. Is there any sense of the change in -- or any quantification of the losses to you to Mt. Logan because of the reserve shift?

Craig William Howie
Executive VP, Treasurer & CFO

Could you say that again? [indiscernible]

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Yes, I'm sorry. The magnitude of the change in 2017 catastrophe losses that were ceded to Mt. Logan.

John Paul Doucette
Executive VP, President of the Reinsurance Division & CEO of the Reinsurance Division

Yes. So this is John. So the short answer is yes. As indicated previously, Mt. Logan participates on, basically, quota shares of layers and portfolios of business that Everest writes. And consequently, the cession to Mt. Logan grew, particularly -- grew accordingly with the increase in the loss picks that Everest put forth.

Operator

Thank you, ladies and gentlemen. That ends our questions for today.

Dominic James Addesso
President, CEO & Non-Independent Director

Thank you, Todd, and thanks to all for your questions today. I hope you came away with a better understanding of the circumstances regarding our reserve change. But nevertheless, as we look back at the portfolio and our business model, we remain very confident that our underwriting strategy is solid. And as I mentioned, it's evidenced by our 5-year average operating ROE through 2017, which, after adjustment for the cat losses, was 11.8%. This is better than each of the companies in our peer group, and I think it's worth emphasizing.

Cat business is volatile. But as I pointed out, it's profitable through the cycle. And again, as I mentioned previously, it's less than 9 combined ratio points on average through those same 5 years. But what I really -- I think the message we want to leave you with is the understanding of the breadth of our entire business model. And over the last couple of years, we've succeeded in lessening our cat exposure by diversifying our Reinsurance portfolio and the credit, other specialty classes, along with, as John talked about, the resurgence in our casualty lines of business. And as a consequence, the attrition results continue to improve.

Furthermore, the organic build of our Insurance operation has been noteworthy. We now have profitable specialty insurance operation expected to exceed over $2 billion in premium. That's double from 3 years ago. I recognize in the short term that it may be very natural to look at the current results in this business that can be sometimes misleading, and if you more closely examine the underlying metrics, I think you'll find and get a better sense of what the future holds for Everest. So we believe it's a bright one.

Thank you very much for your interest this morning.

Operator
Thank you, ladies and gentlemen. This concludes today's conference. You may now disconnect your phone lines, and have a great rest of the day.