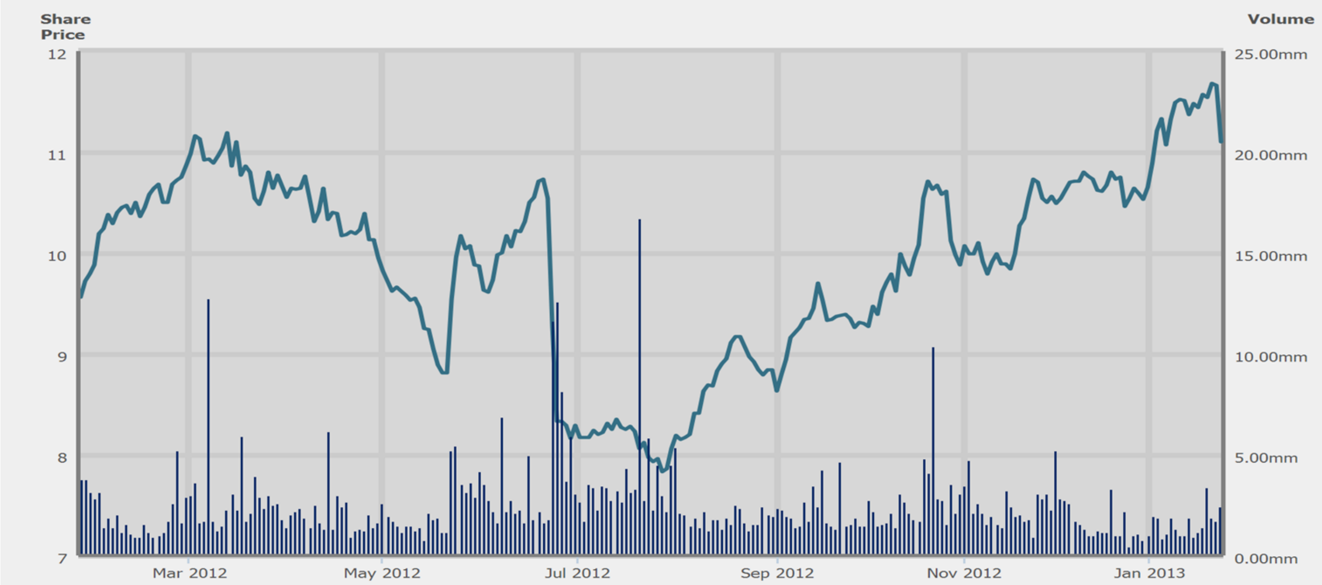
S&P Global
Market Intelligence

Old Republic International Corporation
NYSE:ORI
FQ1 2013 Earnings Call Transcripts
Thursday, April 25, 2013 7:00 PM GMT
S&P Global Market Intelligence Estimates

	-FQ1 2013-			-FQ2 2013-	-FY 2013-	-FY 2014-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	(0.04)	0.20	NM	0.02	0.48	0.95
Revenue (mm)	1219.00	1269.90	▲4.18	1291.00	5039.00	5318.50

Currency: USD
Consensus as of Apr-23-2013 11:49 PM GMT



- EPS NORMALIZED -	CONSENSUS	ACTUAL	SURPRISE
FQ1 2012	0.21	(0.01)	NM
FQ2 2012	0.03	(0.19)	NM
FQ3 2012	(0.03)	(0.11)	NM
FQ4 2012	(0.05)	(0.09)	NM

COPYRIGHT © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved

Table of Contents

COPYRIGHT © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved

Call Participants

EXECUTIVES

Aldo Charles Zucaro
Chairman & CEO

Karl William Mueller
Senior VP & CFO

Rande Keith Yeager
Chairman & CEO - Title Insurance Group

Scott Eckstein
Director of Account Services

ANALYSTS

Geoffrey Murray Dunn
Dowling & Partners Securities, LLC

Jim Ryan
Morningstar Inc., Research Division

Steven William Charest
Divine Capital Markets LLC, Research Division

Copyright © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Presentation

Operator

Welcome to the Old Republic International First Quarter 2013 Earnings Conference Call. [Operator Instructions] And I would like to now turn the conference over to Scott Eckstein with MWW Group. Please go ahead, sir.

Scott Eckstein
Director of Account Services

Thank you, operator. Good afternoon and thank you for joining us today for Old Republic's conference call to discuss first quarter 2013 results. This morning we distributed a copy of the Press Release. If there is anyone online who did not receive a copy, you can access it at Old Republic's website which is www.oldrepublic.com.

Please be advised that this call may involve forward-looking statements as discussed in the Press Release dated April 25, 2013. Risks associated with these statements can be found in the Company's latest SEC filings.

Participating in today's call, we have Al Zucaro, Chairman and Chief Executive Officer; Scott Rager, President and Chief Operating Officer of Old Republic as well as our General Insurance Group; Rande Yeager, Chairman and Chief Executive Officer of our Title Insurance Operations; and Karl Mueller, Old Republic Chief Financial Officer.

At this time, I would like to turn the call over to Al Zucaro for his opening remarks. Please go ahead sir.

Aldo Charles Zucaro
Chairman & CEO

Thank you Scott and thank you to everyone for joining us today. As we've done recently we'll address the release in the following sequence. We will speak to the consolidated results a bit, then move on to RFIG runoff business and then on to General and Title Insurance and then we'll make some commentary on the basic financial aspects of the report. At the end of these comments, we'll go to a question and answer session.

Of course the big headline in this year's first quarterly release is that we booked a consolidated profit for the first time in 10 consecutive quarters and overall the profitability was once again most affected by our General Insurance segment, which has remained incidentally profitable throughout the past 6 years since the great recession took hold.

But in this latest quarter, the overall profitability of the business was truly enhanced and most significantly by very strong growth in our Title Insurance business and as you see in the release, by a substantial drop in the claim costs attaching to the run-off mortgage guarantee segment.

Scott and Rande will speak to the basic factors in General in Title Insurance and these factors are very positive and they affected the General Insurance business very positively. In the meantime we'll just take -- I will just take a few minutes to address what's happening in the combined run-off of the MI and CCI lines, which since the second quarter of last year, we have segmented in the so called RFIG segment or corporate structure.

I think that the quickest way to gain an understanding of the RFIG run-off experience in this year's first quarter is to take a look at the quarterly premium and claim cost trends of the last couple of years. And quarter-to-quarter premiums have been declining at an accelerating pace, since we stopped writing new business around mid-year 2011 with respect to the MI line and sometimes in 2008 with regard to the CCI line.

Copyright © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

But as you can see there was a slight uptick in premiums earned in the first quarter of this year, as well as the first quarter of 2013, and that’s a slight uptick as I say in relation to the prior quarter, which was the fourth quarter of the preceding year.

But then there was a resumption of the declining premium trends in the last 3 quarters of both ’11 and ’12. And this declining premium pattern is to be expected when a book of business is in run-off and there is no new production coming in to dampen or even reverse the fall off in the top line.

Then when it comes to claim costs, which of course is the denominator in the calculation of the claim ratio, the normal pattern of the past couple of years at least has been for this ratio to drop off in the first quarter of the year, in comparison again with the final quarter of the preceding year and then for it to climb up to a higher level in the last 3 quarters of the year.

So big picture wise there appears to be some seasonal aspect to these claim emergence patterns so on a quarter-to-quarter basis, but when their effect is married to the declining premium base, then the rise in that claim cost and claim ratio in the next 3 quarters of the year thus create what you might think of as a double-whammy so to speak in terms of the greater claim ratio for the last 3 quarters of the year.

The MI claimed ratios we have been posting very much as always, reactive to the quarterly trends in claim to settlements and payments, the trends in new defaults being reported by insured lenders, by the closing of a previously reported claims without the payment for one of the reason and another, and the rates of course; at which previously reported defaults are taken out of the pending claim inventory, because the default has cured itself for one reason or another.

In this year's first quarter, our evaluation was these 4 factors were trending positively or at least not getting any worse than they had, and this had in combination of these 4 major factors had a very beneficial effect on the claim reserve level, at which we closed the books at March 31.

But on the other hand, we were somewhat heavy-headed when it came to assumptions about claim frequencies. And then, in this area our expectation is that a greater number of long lingering defaults will be headed to foreclosure and require payment down the road.

So, when we pull all of that together, i.e., the 4 favorable factors that I mentioned before and this last one, the 4 beneficial factors overwhelmed the last one and is the basic reason why you see the drop in the claim ratio to the lowest level, I might say than we have seen for any one quarter within the last couple of 3 years.

So at this juncture, we are assuming that the mortgage guarantee claim ratio will once again this year gravitate to a higher plateau as the year moves along, but we still nonetheless expect that the full year claim costs should come in well below the 2012 level from a dollar standpoint.

In the RFIG run off section of this morning’s earning release we also show some summary operating data for the CCI portion of the run off segment and here again premium volume has generally been trending down and claim ratios have been bouncing around quite a bit quarter to quarter.

In the last 3 or 4 quarters or 5 quarters or so claim emergence in CCI has been relatively unstable as we have reached to different evaluations quarter-to-quarter with respect to the litigation expenses we faced and on other hand we’ve also, again to use the same expression been somewhat heavy handed in reducing the expectations we’ve had about future salvage recoveries on claims previously settled.

This last factor in our view is affected by a great deal of judgment and the judgment relates to the employment situation and what will happen to employment levels in this country and the long term impact that employment or unemployment has on a borrower’s ability to make good on the debts that we paid on their behalf through the CCI insurance program.

Still CCI defaults are coming down fairly steadily so that the major factor that could derail the steady extinction of losses from this line would be some significantly adverse litigation outcome which still in our opinion does not appear to be in the cards.

Copyright © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

So in summary, the bottom-line for the combined MI and CCI run-off is that it should become a much lesser burden that it has been insofar as Old Republic's consolidated results and financial condition are concerned.

We still hold to the view that by 2014 to 2015, somewhere between those two years that the 2 lines in combination could begin to throw off a modicum of profit instead of the losses they have produced since 2007.

So even though we are more likely than not going to incur operating losses this year in those 2 businesses combined, we think that the hit to the bottom line -- the consolidated bottom-line of Old Republic is going to be reduced from the level that we posted last year and the last number of years.

Having said that, let's now turn the discussion over to Scott and then Rande, who are going to be quite happy to speak to the much more positive aspects of our business. So you want to takeover, Scott?

Scott Eckstein
Director of Account Services

Sure thanks Al. Good afternoon everyone. The general insurance group had a pretty solid first quarter. Excluding the CCI results, the group's net premiums earned were up 9.3% to $600.2 million year-over-year. Growth was driven by construction, risk management, large accounts and commercial auto.

Of the roughly $50 million increase in premiums between first quarter of '12 and the first quarter of '13, roughly half was in the Workers' Compensation line. Here we're seeing rate improvements and as steady to increasing payroll base.

All but 2 of our several operations delivered written premium growth year-over-year through the first quarter of 2013. Rising premiums were obviously caused by 3 principle considerations, got improved rates, new business and the organic growth from the existing book that you write.

The extent to which each of those factors may foster growth for our various operations depends on the particular marketplace in general and the specific industries that they serve. For the General Insurance segment as a whole we can truly state that retention levels or add expected levels and we're seeing opportunities for new business in virtually all of our markets.

The markets we serve are always comparative. Risk selection in the underwriting process thus becomes crucial to ensure profitable operations but as specialty underwriters, we believe we have advantage over most in the industries in this respect. Most of these advantages have to do with our culture and dedication to the underwriting discipline for the long run.

Claim costs ticked up with the claim ratio rising to 71.9% from 69.2% a year ago, again excluding the CCI results. This is not an unusual phenomenon in a growth environment as new business generally takes a year or more to settle into more historical loss ratio patterns where the book is a whole, nothing of the ordinary.

At this stage we still expect to achieve our historic positive underwriting results on the total book of business as the year plays out. Offsetting the increase in the claims ratio, the expense ratio dropped a couple percentage points year-over-year to 24.5%. This was primarily due to the adoption of the new DAC accounting principle in 2012 that we have discussed previously with you. That was a non-reoccurring cost in 2013.

The end result of the premium and claim trends are the composite ratio of 96.4% versus 95.7% a year ago. Pretax operating income was down from the $80.5 million to $76 million, which closely aligns with the decline and the investment income for the quarter.

Overall, we see an improving rate environment, an improving rate base such as mileage driven for trucking operations and or steady to growing payrolls in construction and energy related industries. One quarter doesn't a year make but thus far things are about on pace for where we thought we'd be at this point in time.

Copyright © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

And now I will turn the mike over to Rande Yeager for his comments with respect to the title business.

Rande Keith Yeager
Chairman & CEO - Title Insurance Group

Great, thank you Scott, and I am happy to report the title company continued its winning ways. We recorded our best first quarter performance since 2003, with a pretax profit of $21.5 million. That compares to $9.4 million last year. There were significant gains in both the agency and direct revenue fronts.

Combined revenue was up a $105 million or 29.1% over $467 million. Along with that our expense ratio continues to show improvement, dropped from 91.5% 2012 to 89.5% in 2013. Our employees are working very hard to control both expenses and risk associated with the operations.

The claims ratio improved from 7.2% in the first quarter of '12 to 6.9% 2013, all good. Early in 2013 all indicators point to improving results. I could comment on some of the areas in the country that are experiencing significant growth but fortunately they all are.

Unless something unexpected would occur, like a large increase in mortgage interest rates not expected or a rapidly failing economy with significant loss of jobs, I honestly believe that the best is yet to come for our title business.

As we said earlier I'll now hand the phone over to Karl Mueller to address consolidated highlights from a financial perspective.

Karl William Mueller
Senior VP & CFO

Okay, thanks Rande. This morning we reported that Old Republic ended the first quarter with shareholders' equity of almost $3.7 billion or $14.31 per share, which is up slightly from the 14.03 reported at the end of 2012.

Of that total $0.28 per share increase, $0.03 emanated from operating earnings in excess of the quarterly dividends paid to our common shareholders and the remaining $0.25 increase was generated predominantly by a rise in the fair value of our investment portfolio.

Page 6 of the release shows the breakdown of the total book value per share between Old Republic’s ongoing operations and those of the RFIG run-off segment. You will note that the ongoing business operations contributed $14.58 to the total book value and this was then offset by a negative book value of $0.27 per share attributable to the RFIG run-off segment.

As was discussed in the prior calls, we are required under GAAP accounting to recognize RFIG's losses, so long as we control that business. The effect of this accounting treatment is to further increase that segment’s negative equity balance, which in turn reduces the consolidated book value.

Therefore, our focus in recent periods has been to grow the book value attributable to our ongoing operating segments, with the understanding that the RFIG negative equity will ultimately be restored to the total at some point in the future, in the event, the business returns to cumulative profitability or Old Republic relinquishes control of the business in one fashion or another.

Turning then to asset side of our balance sheet, we would just comment it remains largely unchanged at the March year end -- from our March quarter end from year end 2012. Our investment portfolio grew modestly during the quarter. This resulted from the addition of positive operating cash flows and greater market value appreciation of the portfolio. Otherwise the composition of portfolio remains consistent with prior periods.

Moving to the right side of the balance sheet, overall our claim reserves increased slightly from year end, reflecting business growth in both our General and Title Insurance operations. During this year’s first quarter, the year end 2012 reserve balances I would say developed slightly favorable on an overall basis, and then breaking that into the component pieces similar to last year’s first quarter, General Insurance

Copyright © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

reserves have trended favorably and Title insurance reserves have developed pretty much in line with the year-end original reserve estimates.

We should also note that the year-end reserves in the RFIG run-off segment have developed more favorably than in last year's first quarter and for that matter for the full year of 2012. This is largely the result of the factors already noted earlier in this call, including some seasonal trends in claim activity, in addition to a greater number of cases that were closed without payment during the first quarter beyond those levels that were anticipated in the year-end 2012 reserve estimates.

We ended the quarter with a debt-to-equity ratio of 15.5%, and a debt-to-total capitalization ratio of 13.4%, both of which are substantially similar to year-end levels. We continue to believe that our balance sheet and cash flows to the parent company could support additional debt leverage if the need were to arise in the future.

And from a cash flow perspective, this morning we reported consolidated operating cash flows of $143 million for the quarter, compared to $49 million in last year's first quarter. This improvement resulted from increased operating cash flows across all 3 of our operating segments. At the end of March, we had approximately $215 million of cash and highly liquid securities that were held either by the Old Republic Holding Company or one of its non-regulated subsidiaries.

As discussed previously, the dividend paying capacity from our regulated subsidiaries to the holding company is dictated by state regulation. For all of 2013, this capacity approximates $350 million, and over the past 5 years the actual dividends that have been paid to the Old Republic Holding Company have averaged $185 million, or roughly 55% of the maximum that was available.

The receipt of these dividends, along with interest income received on intercompany debt, we think provide the necessary resources to fund the holding company's obligations, which most significantly include interest on our outstanding debt and the regular cash dividend payments that we make to our common shareholders. We continue to believe these sources of cash of a holding company are both sufficient and sustainable to meet our obligations for the foreseeable future.

Let me now turn the mike back to Al for closing comments.

Aldo Charles Zucaro
Chairman & CEO

Okay. As Scott said a few minutes ago, in our business a single quarter does not make a year, and this is particularly so in a long-term oriented business, that's always affected by a large dose of fortuitous events. Still, the results we have posted in the first 3 months of this year do provide a good foundation for the entire year.

If you had a chance to take a look at the management letter we posted on our website a week or so ago and that's the letter that's part of our Annual Report to shareholders. You will read that we have every expectation for this year being a strong turn-around year after 5 or 6 pretty miserable years in our business.

As we've suggested before, the run-off RFIG business has to become a much smaller burden as the MI and CCI claims activity dies down, if only because of a recovering sector, which will as they say lift many boats and a better overall economy.

And the same turnaround or improving housing sector is also providing fuel to our title business, which is entering the up leg so to speak of the cycle and it is doing so in the best and strongest financial position, it's ever been in and with a very firm hold on a much greater market share than we have had ever.

We spent quite a bit of money in the last number of years to build up that market share where the business and the doldrums and we think that effort is going to pay very handsomely as we are going into the better part of the normal cycle which affects Title Insurance.

As to our general insurance engine, it should operate with much higher horsepower as the gradual price increases we have gotten over the past couple of years kick into the premium stream and as you may

Copyright © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

know in the property and casualty business which typically writes 1 year policies, it takes a good 18 months between the time you get into a premium rate increase situation for that to develop through the earned premium cycle.

When this kicks in, the upward claim ratio pressures we have had in some lines, most significantly of course the worker’s compensation line, that -- those pressures should ease measurably and obviously provide benefits to the underwriting account.

And let's face it, with low investment yields a fact of life for the foreseeable future, underwriting profitability is the lynchpin to the successful execution of the growth plans we have set for ourselves in Title and General Insurance.

As a long term player in the business, our focus on disciplined underwriting, we believe is going to be a very much of a differentiating factor for us. So there you have it. We are coming to the end of this first quarter in a very optimistic mood and frame of mind. We think that this year is going to be a good one and reflect a strong turnaround from where we have been from a consolidative standpoint for several years. So, now having reached this point, we’ll turn the session over to the question and answer portion and if you will address your questions to me, I'll be the traffic cop so to speak in directing the answers to the four of us that on the call.

Copyright © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Question and Answer

Operator

[Operator Instructions] And we'll take our first question today from Jim Ryan with Morningstar Stock Analyst.

Jim Ryan
Morningstar Inc., Research Division

I will direct this to you Al but I think it will end up in Rande's hands. That was a pretty good increase in terms of the title premium and fees and I was wondering Rande if you could talk a little bit more about that in terms of how much of that was a lag affect from the agency, maybe compared with your direct operations on a year-over-year basis, just something to get a better handle on a more apples-to-apple basis in terms of how the market is today?

Aldo Charles Zucaro
Chairman & CEO

So Rande before you answer, Jim I take it you are not going to allow me to be the traffic cop, is that it.

Jim Ryan
Morningstar Inc., Research Division

No you may if you would like.

Rande Keith Yeager
Chairman & CEO - Title Insurance Group

Well, Jim I talked about this a lot, but as you know, our business mix is about 2/3 agency to about one-third direct operations. So that 2/3 is kind of a lag, not mostly but, a lot of it from the fourth quarter. So we are seeing some carryover for sure from that.

Direct operations to give you an indication of what the future may bring, we are up about 8% in terms of revenues. That is good as opposed to 20% plus that we were up in agency. Obviously the market is good. We are seeing still a lot of refinance business.

And the lenders that I've talked to -- the MVA projections aren't out yet but the lenders you talk to say that their mix of business has dropped from about 70-30 refi to purchase money transactions down to about 60-40, which is good. The MVA did report that the purchase money index was the highest in March. It has been since March of 2010 when they ended the home buyer credit program. So those are good indications.

I think we talked on the last call that this could be the year where we see the purchase money transactions overtake refinances as a percentage of mortgage originations and that's good for us. We sell owner and loan policies in that market, get more closings get more fees. So all that is good. It is all good for our agents, it helped stabilize the market and there is still, I don't think refinances are going to fall off the table either.

We are going to see a lot more refinance. There is a whole another wave of refinances I think that will occur because of new buyers, younger buyers primarily who had little money to put down, saw property values decline. They were doing longer value ratios in the 90/10, 95/5 area have to buy PMI.

Now with some of the appreciation I think what we're seeing is that there is enough equity in these houses in some of the markets to actually eliminate the PMI charge and so there is a whole bunch of people waiting out there for the home prices to climb a little bit higher and you are going to more refinancers. So I don't that's a dead market yet. A lot of people are projecting its death but I would disagree.

Jim Ryan

Copyright © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Morningstar Inc., Research Division

So, I guess what you're saying is year-over-year first quarter, it's really more like 8% but, okay, that's good. Do you see anything going on in commercial?

Rande Keith Yeager
Chairman & CEO - Title Insurance Group

In our commercial business again, we support our agents in the commercial arena but we also have direct operations. Our commercial business has been really good. We're seeing more high liability, much higher liability deals. I can't really give you an average but let's just say if that was 4 to 5 this time last year, the average liability might be 10 to 15. So a bigger amount is being generated on each order. So, commercial business is doing really well.

Jim Ryan
Morningstar Inc., Research Division

And Al back to you, on the reserved development particularly with respect to workers' comp, how did that fair in the quarter?

Scott Eckstein
Director of Account Services

Well Jim, as I mentioned in my comments, the general insurance group did develop slightly favorably, both in this year's first quarter as well as last year. I don't know that I have in front of me to breakdown by line but the workers comp line is one that's been under pressure lately I would surmise that that development was less favorable than the book of business overall.

Operator

And we'll take the next question from Steven Charest with Divine Capital.

Steven William Charest
Divine Capital Markets LLC, Research Division

You touched on this and I'm sorry I had to jump off the call real quick so just to clarify, on the reserving which had been a little bit more aggressive in the past few quarters, are you anticipating continued easing back on that more aggressive reserving?

Aldo Charles Zucaro
Chairman & CEO

Are you asking Steve about General Insurance or Title or Mortgage?

Steven William Charest
Divine Capital Markets LLC, Research Division

I'm sorry, on the general, specifically with further workers' comp.

Karl William Mueller
Senior VP & CFO

I'm not sure I'm following your question. You're referring to the development or the reserve setting process itself?

Steven William Charest
Divine Capital Markets LLC, Research Division

The reserve setting process.

Karl William Mueller
Senior VP & CFO

Copyright © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

As I think we’ve said previously, we look at the development each and every quarter, pay particular attention to the paid loss development and make judgments and set our reserves accordingly on a quarterly basis. The workers' comp line is an area that's been under pressure and we continue to pay particularly close attention to that and it's altogether possible we'll continue to show a little strengthening there, but other than that, the book of business is performing well in line with our expectations.

Operator

We'll go to Alex Burns with Dowling & Partners.

Geoffrey Murray Dunn
Dowling & Partners Securities, LLC

It's Geoff Dunn. I guess Travelers mentioned on its call of a reserve adjustment related to its workers' comp line due to some changes in the New York laws. Wondering how that affects you and if you've addressed that yet.

Aldo Charles Zucaro
Chairman & CEO

We have very little business in New York as such and I don't think we're familiar at the table here with what Travelers has said and Travelers has got a, I suspect it has a somewhat different kind of business than we do and it’s not -- our business is not as oriented to the East Coast, as its business most more likely is. So I don’t think that if I understand the comment, that that should have much of a bearing what we have to deal with when it comes to workers' comp.

Operator

And there are no other questions. So I’ll turn the conference back over to management for any additional or closing remarks.

Aldo Charles Zucaro
Chairman & CEO

We don't have anything else to say. We’ve outlined the key points that affected the first quarter and as always, we appreciate the participation by everyone and look forward to our next visit, 3 months or so from now. On that note, you all have a good afternoon. Thank you.

Operator
Thank you very much. And that does conclude our conference for today. I would like to thank everyone for your participation and you may now disconnect.

Copyright © 2018 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Copyright © 2018 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.
© 2018 S&P Global Market Intelligence.