S&P Capital IQ

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Kemper Corporation NYSE:KMPR

FQ3 2013 Earnings Call Transcripts

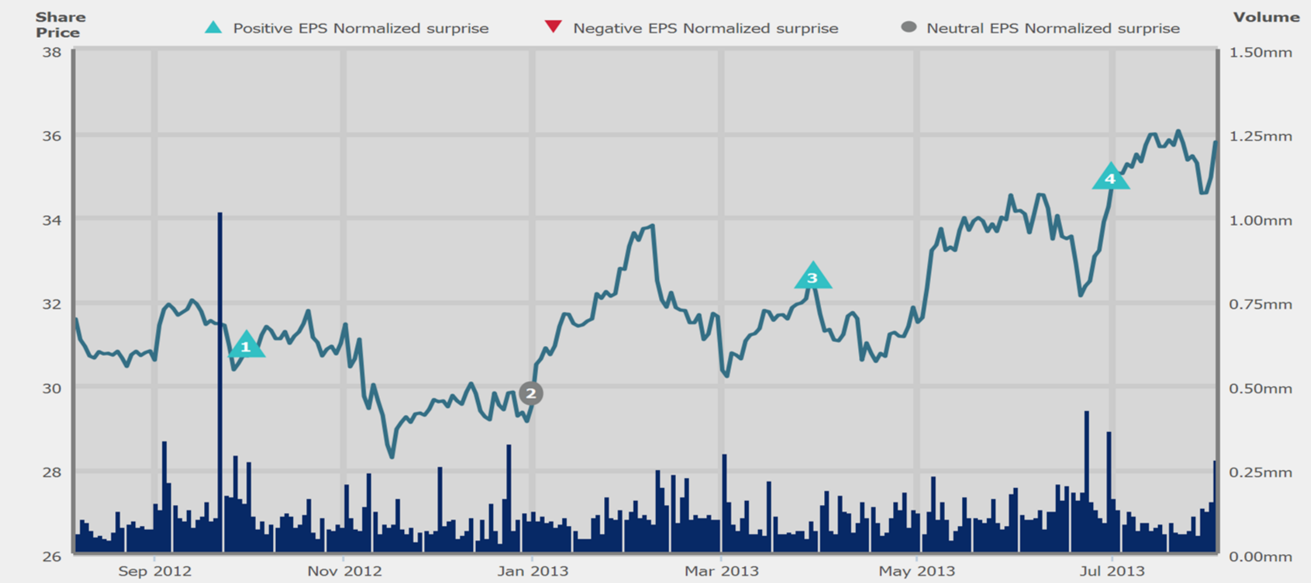
Friday, November 01, 2013 3:00 PM GMT

S&P Capital IQ Estimates

	-FQ3 2013-			-FQ4 2013-	-FY 2013-	-FY 2014-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.40	0.69	▲72.50	0.55	2.34	2.34
Revenue (mm)	582.55	635.70	▲9.12	580.98	2343.75	2312.56

Currency: USD
Consensus as of Nov-01-2013 6:31 AM GMT

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



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2012	0.33	0.42	▲1 27.27 %
FQ4 2012	0.06	(0.06)	NM
FQ1 2013	0.52	1.00	▲2 92.31 %
FQ2 2013	0.27	0.55	▲3 103.70 %

Call Participants

EXECUTIVES

Denise Idell Lynch
Former Property & Casualty Group Executive

Diana J. Hickert-Hill
Vice President of Investor Relations & Corporate Identity

Donald G. Southwell
Former Chairman, Chief Executive Officer and President

Edward J. Konar
Former Vice President and Life & Health Group Executive

Frank Joseph Sodaro
Former Senior Advisor

ANALYSTS

Adam Klauber
William Blair & Company L.L.C., Research Division

Jon Paul Newsome
Sandler O'Neill + Partners, L.P., Research Division

Miranda Davidson

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to the Kemper's Third Quarter 2013 Earnings Conference Call. My name is Stephanie, and I'll be your coordinator today. [Operator Instructions] As a reminder, the conference is being recorded for replay purposes. I would now like to introduce your host for today's conference, Ms. Diana Hickert-Hill, Vice President, Investor Relations and Corporate Identity. Ms. Hickert-Hill, you may begin.

Diana J. Hickert-Hill
Vice President of Investor Relations & Corporate Identity

Thank you, Operator. Good morning, everyone, and thank you for joining us. This morning, you'll hear from 3 of our business executives, starting with Don Southwell, Kemper's Chairman, President and Chief Executive Officer; followed by Denise Lynch, Kemper's Property & Casualty Group Executive; and finally, Frank Sodaro, Kemper's Senior Vice President and Chief Financial Officer.

We will make a few opening remarks to provide context around our third quarter results. We will then open up the call for a question-and-answer session. During this interactive portion of the call, our 3 presenters will be joined by John Boschelli, Kemper's Vice President and Chief Investment Officer; and Ed Konar, Kemper's Life and Health Group Executive.

After the markets closed yesterday, we filed our Form 10-Q with the SEC and issued our press release and financial supplement. You can find these documents on the Investors section of our website, kemper.com.

Please note that our discussion today may contain forward-looking statements. Our actual results may differ materially from these statements. For information on potential risks associated with relying on forward-looking statements, please refer to our Form 10-K filed with the SEC on February 15, 2013, as well as our third quarter 2013 Form 10-Q and earnings release.

This morning's discussion includes non-GAAP financial measures that we believe may be meaningful to investors. In our supplement and earnings release, we have defined and reconciled non-GAAP financial measures to GAAP, where required, in accordance with SEC rules. And finally, all comparative references will be to third quarter 2012, unless we state otherwise.

Now I will turn the call over to Don Southwell.

Donald G. Southwell
Former Chairman, Chief Executive Officer and President

Thank you, Diana. Good morning, everyone, and thanks for your interest in Kemper. Today, I'll discuss our overall results for the quarter and cover specifics on our Life and Health group and on our investment performance. Denise will provide more color on the property and casualty group's results. And Frank will review details on our financial results, capital and liquidity. Then I'll wrap up.

So starting with our results. In total, we had another strong quarter, and we are happy with the progress in each of our segments. We generated $70 million of net income in the quarter, up from $56 million. On a net operating income basis, the earned $39 million compared to $25 million. These favorable results are, in large part, due to the actions we have taken to date. And we remain focused on implementing our plans.

Our property and casualty group delivered another quarter of strong overall improvement. We remain on pace to meet all the commitments we outlined earlier to improve P&C fundamentals. Additionally, catastrophe levels were favorable. In total, we recorded about $10 million pretax of cat losses, about the same as last year. I remain pleased with our team's progress. Denise will cover our P&C performance and plans in more detail.

On the Life and Health side, earnings were up almost 20%. In the Kemper Home Service Companies, we saw improved underlying results and lower cat levels in the growing lines sold by our career life agents. This was partially offset by higher expenses. Investment income was up $8 million pretax, primarily, from our equity method investments. Our Reserve National business continues its expansion with new products and markets. So expenses are up, but we're pleased with the market interest. We still expect the total Life and Health group's earnings in the second half of 2013 to be at about the same level as the second half of 2012.

Turning to investments. The portfolio delivered another quarter of solid results with our performance ahead of plan, primarily from higher returns on equity method investments and higher levels of investments. Although interest rates dipped back down after recent Federal Reserve messaging, interest rates are still ahead of the pace projected in the Federal Reserve base case scenario. A major milestone in the quarter was the sale of the Kemper Building, home of our Chicago corporate offices, which resulted in a pretax gain of $44 million. We entered into a long term lease agreement with the buyer for our office space and retain the naming rights and Kemper signage on the building. So this is really just a financial transaction. As we mentioned earlier, the sale is part of our capital strategy, which includes reducing our real estate portfolio. This was our largest single real estate holding. And the real estate portfolio now represents less than 3% of our total investment portfolio.

Now I'll turn the call over to Denise to provide commentary on the quarter's P&C results and her team's actions to improve profitability.

Denise Idell Lynch
Former Property & Casualty Group Executive

Thank you, Don. The property and casualty group's underlying results improved in the third quarter. We're focused on improving performance through aggressive actions, such as rate increases, improved underwriting discipline, and product line management. We like the direction of the property and casualty results and also acknowledge more work remains to be done. 4 key highlights for the quarter include: first, the property and casualty group's combined ratio improved 4 points to 96.9% in the quarter. The underlying combined ratio also improved by nearly 4 points to 97.3%. Second, weather was less active, with catastrophe losses slightly below the prior year. Third, we continue to make progress with the actions to improve pricing, product management and analytics capabilities, and we will continue to invest in these areas. And fourth, the direct runoff is going well. And once again, we exceeded our expectations.

Let's start our detailed review by looking at our largest business, Kemper Preferred, which provides home, auto and valuables coverage to standard and preferred customer segments. Our story is similar to the results we saw in the second quarter. We continue to optimize our business mix to drive, improved performance. Our Package Plus product, the premier offering for our target market, made up 60% of all new sales in the quarter.

Moving on to specific product lines. The homeowners line continues to show improvement, net written premium was about $2 million lower at $83 million, resulting from lower new business volumes as a result of pricing and underwriting actions designed to improve the new business quality. Earned premium grew 2%, due to a 9.5% increase in average earned premium, partially offset by lower volume. The combined ratio of 96.9% for the quarter improved slightly, with a 2-point improvement in the total loss and loss adjusting expense ratio, offset by a 1-point increase in the incurred expense ratio. The expense ratio was up about 1 point, primarily, from increased agency and employee compensation expense related to the improved year-over-year financial performance. Our focus on improving the homeowners portfolio continues its momentum. We're on pace for a 14% filed rate increase in 2013, up from our original 10% plan. This area remains our priority as we continue to implement the appropriate actions to improve and sustain the performance of the homeowners book of business.

In the auto line, net written premium was $125 million, down 9% due to the intentional slowdown of new business and lower retention resulting from our profitability improvement actions. Earned premium was down 3%. The underlying combined ratio increased about a 0.5 to 103.9% from the slight deterioration in both the underlying loss and expense ratios. We are not satisfied with the performance of the auto line, and continue to take aggressive actions to improve its performance. While the average earned rate increase was 4%, this is the third quarter the pure premium had increased mid-single digits, largely driven by higher severity in bodily injury. We continue to work on price adequacy with improved price segmentation and filed rate increases, which will be about 9% for 2013.

Now turning to Kemper Specialty. Kemper Specialty targets personal and commercial auto insurance consumers who have difficulty obtaining automobile insurance through the standard and preferred markets for a variety of reasons. Overall, the segment had a good quarter, with net income of $5 million, nearly double the third quarter 2012's results.

I'll start with comments on personal auto. Net written premium decreased 10% to $82 million, although up $1 million sequentially, as our rate increases pressured new businesses. Earned premium declined 9%. The combined ratio improved 5 points to 99% as a result of improved underlying loss and loss adjusting expense and lower catastrophe losses. Underlying results improved 4 points as rate increases and price segmentation advancements led to an average earned rate increase of more than 8.5%, outpacing a moderating pure premium trend. We remain ahead of our original filed rate plan and continue to expect to file almost 9 points of rate increase in 2013, up from the 6.5% original plan.

Briefly turning to Kemper Specialty's commercial auto results. Net written premium increased 3% to $13 million, led by new business. Earned premium increased 23%. The combined ratio of 91.1% was up 13 points, largely from a 9-point increase in the underlying combined ratio of 105.2%. This was primarily driven by higher expenses and some deterioration of underlying loss and loss adjusting expense. We remain on pace to file a 7% rate increase in 2013. We also continued to tighten underwriting guidelines related unprofitable, volatile classes of vehicles and we're in the process of non-renewing a segment of these risks.

Overall, I'm pleased with our progress and we remain focused on improving Kemper Specialty's underlying combined ratio in 2013.

Now I'll update you on Kemper Direct. The run off of the direct-to-consumer business continues to exceed our expectations. Net written premium at $28 million was down 23% but about flat sequentially, with new business flowing and retention performing about as expected during the runoff period. Earned premium was $30 million, down 25%.

The combined ratio improved 28 points to 76.7% due to improved underlying results and lower expenses. The underlying loss and loss adjusting expense ratio improved more than 18 percentage points. We recognized $5.7 million in favorable reserve development.

In Direct, the top line is consistent with our expectations, as is the underlying improvement. We have, and will take, rate actions in line with indications, as well as other underwriting actions to manage profitability through the runoff. We are on track to take 7% of rate in auto and 12% in home. This quarter marks the first complete year that Kemper Direct has been in runoff, and we have effectively eliminated or significantly reduced expenses, which has resulted in very favorable quarter-over-quarter comparisons for each of the 4 quarters in runoff.

To summarize the property and casualty group, we are pleased with our progress in many areas and remain committed to following through on our plans to deliver a 3- to 5-point improvement in the underlying combined ratio in 2013.

Now I'll turn the call over to Frank.

Frank Joseph Sodaro
Former Senior Advisor

Thanks, Denise, and good morning, everyone. Today, I'll cover Kemper's third quarter 2013 performance and parent company capital and liquidity. As Don mentioned, overall, we had another strong quarter, with net income of $70.1 million or $1.23 per diluted share, up from $55.6 million or $0.95 per diluted share. This included a $28 million gain from the sale of the Kemper Building, bringing total after-tax net realized gains for the quarter to $32 million compared to $33 million in 2012.

Our net operating income was $39 million for the quarter compared to $25 million last year, total revenues were $636 million for the quarter, a $10 million decrease due to lower earned premiums, offset by higher net investment income. The earned premium decline was in line with our expectations and mainly the result of profitability improvement actions we took in Kemper Direct and Kemper Specialty.

Consolidated net investment income across the portfolio was $82 million in the quarter, an increase of $12 million, driven by higher equity method investment income and higher levels of investments. Equity method investments earned $8 million for the quarter, compared to a loss of $1 million. Excluding equity method investments, yields were fairly flat, as slightly lower yields on fixed maturities were offset by higher yields on equity securities.

The third quarter annualized pretax equivalent book yield on average invested assets was 5.9%, up about 60 basis points, driven by the higher returns on the equity method investments. Our average investment rate fixed maturity reinvestment rate increased about 9 basis points in the quarter, to just over 3.2%.

I'll now discuss the financial results of each of our businesses, starting with P&C. Kemper Preferred reported net operating income of $11 million for the quarter, up from $8 million last year. Overall, Preferred's combined ratio improved 1 point to 99.3% for the quarter due to improved underlying loss results, partially offset by higher expenses. The underlying loss ratio improvement of 1.6 points, primarily was the result of higher average earned premiums for all lines outpacing loss cost trends. Insurance expenses increased primarily from higher employee and agent incentives related to the improved operating performance.

Preferred's net written premiums were $223 million in the quarter, which was $15 million lower than last year. Net earned premiums were $221 million in the quarter, down from $223 million, as an 8.5% drop in policies in force, was offset by higher premium rates. The higher premium rates Denise mentioned earlier. Overall, premium retention was 87.4%.

Now turning to Kemper Specialty. We reported net operating income of $5 million for the third quarter, up from $3 million last year. The combined ratio in Kemper Specialty improved 3.6 points to 97.7%. The favorable impact of our rate and underwriting actions resulted in a 2.6 point improvement in the underlying combined ratio. Specialty's net written premiums were $95 million in the quarter, compared to $104 million last year. And net earned premiums were $98 million compared to $104 million last year. These results are in line with our expectations and are driven by the rate actions we implemented, which resulted in a decline of 17% in total segment policies in force.

Now I'll turn to Kemper Direct. In the quarter, we reported net operating income of $7 million, up from $2 million last year, with a 76.7% combined ratio this year compared to 104.5% ratio last year. These underlying loss ratios improved -- the underlying loss ratio improved 18.5 points to 65.4%, driven by lower severity and lower frequency in auto liability coverages and higher average earned premium rates. Kemper Direct net earned premiums were $30 million for the quarter, down from $40 million and in line with our expectations. Auto and home average earned premium rates increased in the quarter by 5% and 13% respectively. But more than offset by lower -- were more than offset by lower volumes. With the reduction in premiums and the runoff of reserves, we currently allocate just under $140 million in capital to Kemper Direct.

Shifting to the Life and Health segment. Net operating income, overall, was $23 million in the quarter, an increase of $4 million. Earned premiums for the segment decreased slightly to $159 million while net investment income increased $6 million after tax, from higher returns on equity method investments and higher levels of investments.

Life business experienced higher expenses related to certain legal matters and start up costs related to Reserve National's new distribution initiatives. But these expenses were tempered by lower home service agent commissions.

Finally I'll discuss book value, capital and parent company liquidity. Book value per share was $35.86 at the end of the quarter, down year-over-year and from year-end, due to the impact of higher interest rates on our fixed maturity portfolio. Book value per share, excluding unrealized gains on fixed maturities, was

$32.93, up 6% year-over-year and 8% from year-end. Statutory surplus levels in the insurance companies remain strong and we expect to end the year with risk-based capital ratios of approximately 450% for the Life and Health group, and 340% for the property and casualty group.

During the quarter, we made a $55 million voluntary contribution to our pension plan, reducing pension insurance fees. Additionally, in the quarter, the Life company spent $70 million of dividends to the holding company. In total, our insurance companies have about $110 million of ordinary dividend capacity remaining, of which, we're targeting another $25 million of dividends from our Life companies in the fourth quarter.

And finally, from a liquidity perspective, the holding company ended the quarter with cash and investments of about $150 million. And our $325 million of revolving credit line remains undrawn.

And now I'll turn the call back over to Don.

Donald G. Southwell
Former Chairman, Chief Executive Officer and President

Thank you, Frank, and thanks, Denise. We continue to be in a strong capital position and our long-term capital deployment priorities remain unchanged. These include: first, funding profitable organic growth; second, strategic acquisitions; and third, returning capital to shareholders both through share repurchases and dividends.

Given our efforts to improve profitability, we are not currently funding organic growth. While we've made good progress, we have much more to work to do. We also want to see continued operational improvements before making an acquisition. Although, we do intend to keep powder dry for future opportunities. We have maintained our competitive dividend and continue to buy back shares opportunistically.

In the third quarter, we repurchased $36 million of common stock, bringing our 2013 year-to-date total, through the third quarter, to 2.5 million shares repurchased for about $85 million. Earlier this year, we communicated our goal to achieve a double-digit ROE by the end of 2015, on a run rate basis. And we outlined a path that had 4 main elements. One, continued improvement in our P&C combined ratio; two, full deployment of available capital; three, increases in interest rates consistent with the Federal Reserve baseline scenario, which was published in November 2012, and four, normalized catastrophe losses.

Our actions and results, to date, are consistent with our plans to achieve that goal. So in closing, we had another good quarter. Our underlying performance continues to improve, our actions are aligned to drive further progress. And we are optimistic about achieving our goals.
With that, I'll turn the call back over to the operator, so we may take your questions. Operator?

Question and Answer

Operator

[Operator Instructions] Our first question comes from Miranda Davidson from Raymond James.

Miranda Davidson

Do you think you could talk a little bit more about Reserve National? I thought you mentioned the continued effort to expand distribution. I was just wondering if you could provide a little more detail on maybe where you are on the shift in product mix? Maybe a little more detail and look at the agent count or any other color you think might be helpful?

Donald G. Southwell
Former Chairman, Chief Executive Officer and President

Sure, Miranda. I'm going to ask Ed Konar to address that. He -- Diana said earlier he is with us today and he can give you the best answer on that.

Edward J. Konar
Former Vice President and Life & Health Group Executive

Reserve National has been doing a number of things over the years, last couple of years, anyhow, primarily, moving away from their hospitalization products, moving into supplemental products that are less impacted by health care reform. They've been doing that, primarily, with their captive agency plan. But then, more recently, in addition to that, they've been getting into some new distribution channels. Last year, about this time, they introduced what they call their Senior Solutions, which is life insurance and other supplemental products sold through independent agents. That channel is going quite well right now, and it's really exceeding expectations. They are also introducing 2 new distribution plays, one is a work site benefits play and the other is a dental insurance play. Both of those are kind of in their infancy right now.

Miranda Davidson

Now you guys considered selling this business once before as it continues to turn around and shift into something a little bit different. Is that an avenue you might consider again?

Donald G. Southwell
Former Chairman, Chief Executive Officer and President

No, Miranda. We've considered this a core holding now. And we do not have it on the market or intend to have it on the market.

Operator

Our next question comes from Paul Newsome with Sandler O'Neill.

Jon Paul Newsome
Sandler O'Neill + Partners, L.P., Research Division

Perhaps, you could talk a little bit about the competitive landscape for personal lines. We've heard a lot of comments on the conference calls, so far this season, about lowering rates, as well as competition with respect to the new products. And -- so innovations in auto products. Any -- are you seeing this in your own environment? And any thoughts on that change in the competitive landscape?

Donald G. Southwell
Former Chairman, Chief Executive Officer and President

Denise, do you want to take a crack at that?

Denise Idell Lynch

Former Property & Casualty Group Executive

Sure, I'd be glad to. I think our market, because we serve such a variety of states -- and we have both standard, preferred products and non-standard product, I'd say the market is variable both by product line and by market we serve. From a homeowners perspective, we continue to see firming market conditions, generally speaking, across the country, with increasing rates and companies continuing to take appropriate underwriting actions, to improve profitability. On the home -- on the auto side, I would say, we see the market conditions as variable, depending on the state. We see, in general, rates rising across the country as there certainly is also competition and capacity across the country for auto.

Operator

[Operator Instructions] Our next question comes from Adam Klauber with William Blair.

Adam Klauber
William Blair & Company L.L.C., Research Division

Couple of different questions. Clearly, you're doing a really a nice job turning around the underwriting margins in the P&C, different P&C units. When do you think we'll get better, I guess, better results in Preferred Auto. And I guess, specifically, is that more state-specific? Are there still a couple of states that are just lagging? Is it just a matter of time before the higher rate -- you're putting in obviously higher rates. More -- do we just need some more time towards the higher rates turn in? I guess, what's the -- what will help that move into the right direction?

Denise Idell Lynch
Former Property & Casualty Group Executive

Well, as we've said, we are disappointed with our results in auto. Certainly, having said that, what I'll say is that, we're working very hard on that auto book of business to turn that around. We filed a pretty good amount of rate or we've filed a pretty good amount of rate this year, that's about 9%, and that's on top of just under 8% last year. Our average earned premium continues to decline each quarter. So we're seeing that start to earn in. And we've also been very thoughtful about where we write new business and how much new business we write, and about our general pricing segmentation and the sophistication of our pricing products. I think what I would say is that, we continue to work hard in each state to ensure that we are working hard on our pricing and risk selection. And we will work to continue to improve all of that as we work to improve the overall performance of this line of business.

Adam Klauber
William Blair & Company L.L.C., Research Division

Are there a couple of states that are dragging down the average?

Denise Idell Lynch
Former Property & Casualty Group Executive

No. We have looked at that, and what I'd say is that, really, what we're seeing are the loss trend affecting pretty much across the country. So there's not a standout state or 2 that's driving the performance in the Preferred business.

Adam Klauber
William Blair & Company L.L.C., Research Division

Okay, okay. Just following up on that. What is loss trend running in if you look at TD versus BI within the Preferred book?

Denise Idell Lynch
Former Property & Casualty Group Executive

Yes. In the Preferred book, really, the driver of our loss trend has been, consistently, from -- the 3 quarters of this year has been largely driven by BI severity. It's in the mid-single digits. In the earlier part of the year, we did have some severity and frequency on our collision book. But really, it's been the BI severity each quarter.

Adam Klauber
William Blair & Company L.L.C., Research Division

And but that -- is that holding at the current level, the BI severity?

Denise Idell Lynch
Former Property & Casualty Group Executive

It's been fairly consistent when we look on a quarter-over-quarter, in terms of where it is.

Adam Klauber
William Blair & Company L.L.C., Research Division

Okay, okay. And what's your retention in the Preferred Auto now versus, say, 6 months ago or a year ago?

Denise Idell Lynch
Former Property & Casualty Group Executive

Well, certainly, the retention is less than where it had been. We're down maybe a couple of points in our auto line in Preferred. But that's actually about what we expected, given the pricing actions and the other underwriting actions that we're taking.

Adam Klauber
William Blair & Company L.L.C., Research Division

Okay. Okay. Moving to the Specialty, again, you've had a very nice turnaround in underwriting margins there. What's the competitive environment specifically in non-standard? I know a year ago, you had -- some larger players were really, I think, backing off somewhat. Is that still the case or are you seeing more competition creep in that market again?

Denise Idell Lynch
Former Property & Casualty Group Executive

No. We still believe that, that market is hardening. We still see rate coming into that marketplace. And hardening is probably too strong, but we still see that market firming.

Adam Klauber
William Blair & Company L.L.C., Research Division

Okay, okay. And at some point, do you think you'll start growing that business again, that it's getting profitable or do you think you're still in margin-improvement mode for the foreseeable 6, 9 months or so?

Denise Idell Lynch
Former Property & Casualty Group Executive

I think, I'm hesitant to make general statements. We manage our book of business, really, much more discreetly than that by state. Really, even more carefully than them. So there are markets that we are already growing our private passenger book, our commercial vehicle book. And then, there are other markets where we continue to work on our pricing, and we will grow when we believe that we're in a position to be able to do that.

Adam Klauber
William Blair & Company L.L.C., Research Division

Okay. And one, I guess, last question. When we think about capital deployment -- nice job of buying back stock and if there are opportunities, you'd be interested in those opportunities. But if M&A does not pop up, is share buybacks still the preferred -- preferred means of utilizing excess capital?

Donald G. Southwell

Former Chairman, Chief Executive Officer and President

Adam, that's probably a fair characterization. We certainly believe our dividend is competitive and that's another way to get capital to shareholders. So we weigh exactly what you said, what's our excess capital position, keeping enough powder drive for future acquisitions. We keep an eye on the stock price. I think, in prior calls, people made fun of me for saying at 2 times book we probably wouldn't be buying back. But that's just our way of saying we are somewhat price-sensitive as well. We've bought back an awful lot of stock at very attractive prices this year. And so we look at EPS impact, the ROE impact, the amount of excess capital and then, we make our decisions day by day. But we're very happy with what we've been able to do this year. Frank, did you want to add anything to that?

Frank Joseph Sodaro
Former Senior Advisor

I don't think there's anything I can add, Don. I just agree with it all. And I think, we'll -- the quarter -- this upcoming quarter, we'll keep the same path we have taken as far as looking at all those options. But as you said, price-sensitive, is in the equation.

Operator

[Operator Instructions] And I'm currently showing no further questions. I will turn the call back over to management for closing remarks.

Donald G. Southwell
Former Chairman, Chief Executive Officer and President

Thank you, operator. We have just a few closing remarks. We're making tangible progress to improve profitability in each of our businesses, and I am pleased with our progress to date. While we know we have more to do, it was another good quarter. We'll continue to focus on the targets that we outlined earlier in the year. So we remain committed not only to fulfilling our promises to our customers, but also to delivering shareholder returns that we all need and want. So thank you for your time this morning, and we will update you on progress on our next call.

Operator
Thank you, ladies and gentlemen, that does conclude today's conference. You may all disconnect, and have a wonderful day.