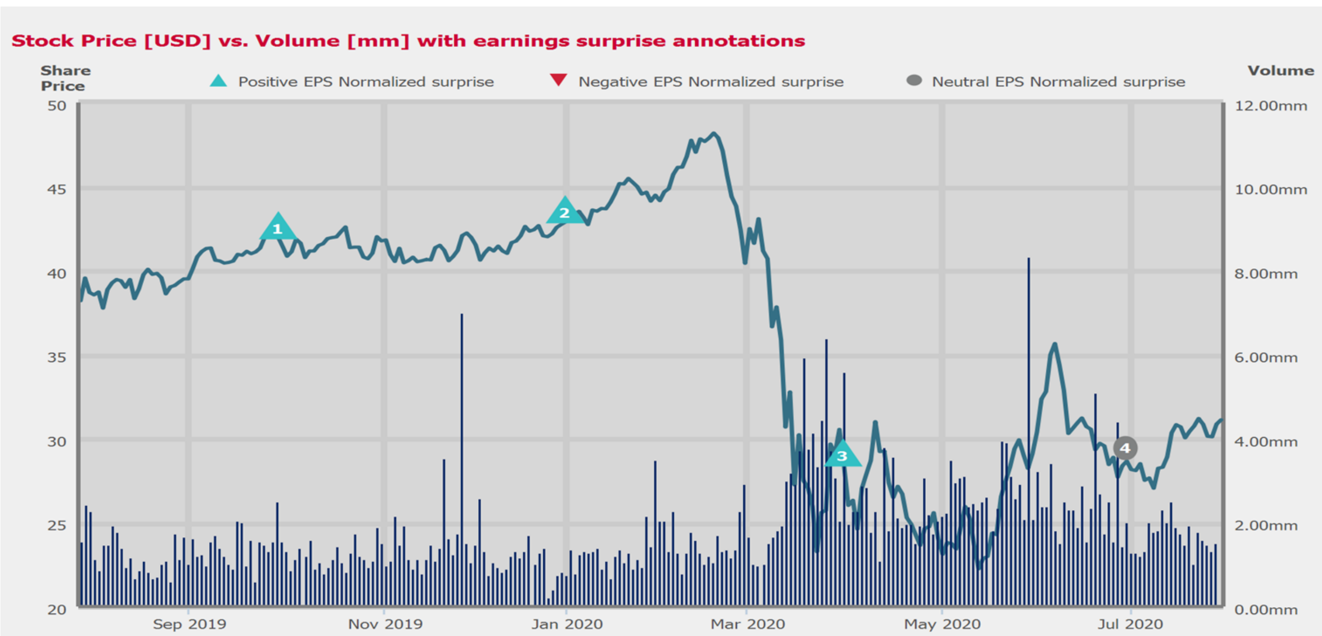
S&P Global
Market Intelligence

Arch Capital Group Ltd. NasdaqGS:ACGL
FQ2 2020 Earnings Call Transcripts
Thursday, July 30, 2020 3:00 PM GMT
S&P Global Market Intelligence Estimates

	-FQ2 2020-			-FQ3 2020-	-FY 2020-	-FY 2021-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	(0.17)	0.04	NM	0.06	0.80	2.59
Revenue (mm)	1491.29	1562.46	4.77	1683.81	6850.37	8027.78

Currency: USD
Consensus as of Jul-30-2020 10:33 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2019	0.62	0.63	1 1.61 %
FQ4 2019	0.68	0.74	2 8.82 %
FQ1 2020	0.41	0.46	3 12.20 %
FQ2 2020	(0.17)	0.04	NM

Table of Contents

Call Participants

EXECUTIVES

François Morin
Executive VP, CFO & Treasurer

Marc Grandisson
President & CEO

ANALYSTS

Brian Robert Meredith
UBS Investment Bank, Research Division

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Geoffrey Murray Dunn
Dowling & Partners Securities, LLC

James Inglis
Philo Smith & Co.

Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

Joshua David Shanker
BofA Merrill Lynch, Research Division

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

Michael David Zaremski
Crédit Suisse AG, Research Division

Philip Michael Stefano
Deutsche Bank AG, Research Division

Ryan James Tunis
Autonomous Research LLP

Yaron Joseph Kinar
Goldman Sachs Group, Inc., Research Division

Presentation

Operator

Good day, ladies and gentlemen, and welcome to the Second Quarter 2020 Arch Capital Group Earnings Conference Call. [Operator Instructions] As a reminder, this conference call is being recorded.

Before the company gets started with its update, management wants to first remind everyone that certain statements in today's press release and discussed on this call may constitute forward-looking statements under the federal securities laws. These statements are based upon management's current assessments and assumptions and are subject to a number of risks and uncertainties. Consequently, actual results may differ materially from those expressed or implied. For more information on the risks and other factors that may affect future performance, investors should review periodic reports that are filed by the company with the SEC from time to time. Additionally, certain statements contained in the call that are not based on historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The company intends the forward-looking statements in the call to be subject to the safe harbor created thereby.

Management also will make reference to some non-GAAP measures of financial performance. The reconciliation to GAAP and definition of operating income can be found in the company's current report on Form 8-K furnished to the SEC yesterday, which contains the company's earnings press release and is available on the company's website.

I would now like to introduce your host for today's conference, Mr. Marc Grandisson and Mr. François Morin. Sirs, you may begin.

Marc Grandisson
President & CEO

Thanks, Liz. Good morning and welcome to our second quarter earnings call. On a reported basis, Arch had an acceptable quarter despite COVID-19-related economic disruptions. Our operating results were good from the underlying accident year ex-cat combined ratio perspective as each segment that benefited from the recent rate improvements. All 3 segments are poised to see the opportunities to grow based on the underwriting returns outlook. Consequently, this quarter, rate improvements continue to enable us to expand our writings in our property casualty units as we increasingly achieve acceptable risk-adjusted returns. We know from experience that this environment is an appropriate time to raise additional capital so that we can more significantly take advantage of this hardening P&C market.

As we have discussed in previous earnings calls, we continuously rank order our capital allocation opportunities among and within the units. And today, P&C insurance and reinsurance prospects have moved up the scale, even as MI returns improved at the same time. To be sure, we are experiencing unprecedented times across our world and the insurance industry. There is still much uncertainty from the pandemic and its ultimate impact. The P&C industry faces emerging claims trends, the possibility of long-lasting lower investment returns and a strain from on-model cat losses and chronic underpricing from the soft market years. This new reality points to the need for further premium rate increases for the foreseeable future. While not all lines are fully attractive on an absolute basis, the positive momentum is evident and has accelerated through the second quarter.

Turning to our operating segments. I'd like to begin with the mortgage insurance segment. Reported delinquencies were 5.1% at June 30, 2020, and came in better than our expectation last quarter, which was at the early onset of the COVID-19 pandemic. As you may recall from our call last quarter, given the uncertainty surrounding COVID-19, we were forecasting more pressure on the housing market and a more pessimistic view of the economy that is -- than is indicated by the latest delinquency data. As we stand today, we believe that the U.S. MI industry has been benefiting from a combination of solid credit quality of the post-2008 crisis originations; two, favorable supply and demand imbalance in housing inventory as well as; three, strong and swift government intervention to help homeowners. As a result, we're seeing better-than-expected delinquency rates emerging this quarter even as rates are at elevated levels, reflecting the recessionary environment.

Our current incurred loss view equates to a claim rate slightly above 5% on newly reported delinquencies. While this claim rate is significantly higher than what we have seen from claim rates on the previous hurricane forbearance programs, it is also significantly lower than what the industry experienced in the GFC and reflects the better underlying conditions I mentioned earlier. Because of the current economic conditions, the credit quality of our new insurance written business, as measured by average FICO scores and loan to value, is stronger than a year ago. Mortgage lenders have tightened underwriting standards and a higher quality of loans originated is a direct benefit to us. We saw record mortgage originations fueled by the historically low mortgage rate, and that has created surges in both refinancing and purchase activity.

This favorable financing environment is supporting home prices. We see prices rising around 5% on an annual basis across the U.S. Despite the weakened economy, we estimate that the mark-to-market homeowners' equity and the vast majority of our policies is in excess of 10%. The level of equity, as a reminder, has proven to be a strong indicator of a borrower's propensity to default, i.e., the higher the equity, the less likely a default will happen and turn into a claim.

Turning now to our P&C businesses. First, let's talk about COVID-19, which is affecting many lines at the same time and developing much more slowly than a natural catastrophe. Adding to the uncertainty is the fact that many coverage issues have yet to be resolved, all of this informed how we approached our reserving for COVID-19 within our P&C segment based on a bottom-up approach to develop our view of ultimate losses. François will cover this in more detail in a few minutes.

Moving on to the P&C business environment, starting with insurance. We see a growing number of opportunities as net premium written grew 7% in the quarter for the unit despite the fact that our travel premiums decreased materially due to the pandemic. Excluding travel, our insurance NPW growth would have been approximately 17%. Most of our growth was generated in the E&S casualty, E&S property, professional lines and the specialty lines written out of London. About 2/3 of that increase came from exposure growth and the balance from rate. Our overall insurance renewal rate change was plus 8.5%, up significantly from plus 5.5% in the first quarter. Earned premium that we wrote at higher rate levels over the last several quarters helped lower our quarterly accident year combined ratio ex-cat to 96.1% from 99.4% for the same quarter in 2019. In summary, our insurance group's main mission right now is to grow in those lines where conditions improve enough to allow for an appropriate risk-adjusted return, and the market is allowing this ever more.

Over to the reinsurance segment now. We had very strong premiums growth at plus 50%, reflecting ongoing dislocations and improvements in the marketplace. Growth opportunities presented themselves across a vast majority of our business lines. Property cat NPW was up 153%, other properties was up 70%, and casualty was up 35%. Partially offsetting this growth were declines in our motor quota share net premium written due to the impacts of COVID-19 exposure decreases.

Generally, our reinsurance segment is able to seize on opportunities earlier than our insurance segment. We're also incrementally increasing our capital allocation to our property cat sector. However, our PML usage is still substantially below what we could deploy if return expectations were to get to the levels we saw in 2006.

Our reinsurance accident quarter combined ratio ex-cat improved to 87.5% from 92.2% over the same period in 2019. This partly reflects our opportunistic underwriting strategy and capital allocation over the last 2 years, but also is a reflection of the benign attritional loss experience relative to the prior year's quarter. To summarize for our P&C operations, after several years of cycle managing our portfolio, we are well positioned to deploy more capital at attractive returns.

With respect to our investment returns, our outlook remains cautious as we believe the economic recovery could be slow and take several quarters to develop. Accordingly, underwriting performance should be the driver of earnings for the industry in the near term, which we believe should help sustain the momentum of increasing premium rates.

From a capital standpoint, we are in a strong position, and we have room to grow with our clients after many years of playing defense. In other words, our core principle, again, of active cycle management, exercised by our team, has positioned us to move much more aggressively into a growing number of improving lines.

Last but not least, we want our shareholders to know that our employees' hard work and our clients strong relationships over the last 3 months were critical in getting us through these tough times. And for that, a huge thanks to all of them.

With that, François will take you through the financials.

François Morin
Executive VP, CFO & Treasurer

Thank you, Marc, and good morning to all. We, at Arch, hope that you are in good health.

On to the second quarter results. As a reminder and consistent with prior practice, the following comments are on a core basis, which corresponds to Arch's financial results, excluding the other segment, i.e. the operations of Watford Holdings Ltd. In our filings, the term consolidated includes Watford.

After-tax operating income for the quarter was $16.6 million, which translates to an annualized 0.6% operating return on average common equity and $0.04 per share. Book value per share increased to $27.62 at June 30, up 5.8% from last quarter and 12.1% from 1 year ago. The increase in the quarter was fueled by the strong recovery in the capital markets.

Outside of the losses related to the COVID-19 pandemic, our underwriting groups continued on their path of solid growth and improving results as we benefited from the generally improving property casualty markets. Losses from 2020 catastrophic events in the quarter, including COVID-19, net of reinsurance recoverables and reinstatement premiums, stood at $207.2 million or 13.5 combined ratio points compared to 0.5 combined ratio points in the second quarter of 2019. The losses impacted both our insurance and reinsurance segments and include $173.1 million from the COVID-19 pandemic as well as $34.1 million for other catastrophic events, including losses related to civil unrest claims across the U.S. The losses we recorded in the quarter for COVID-19 across our P&C operations were split 45% insurance and 55% reinsurance. These loss estimates incorporate additional information that became available during the quarter and represent our current assessment and best estimate of the ultimate losses for occurrences through June 30, based on policy terms and conditions, including limits, sublimits and deductibles.

We are confident that the approach we took to develop these estimates is conservative and are comfortable with our estimates as they currently stand, but needless to say, we continue to monitor the pandemic in its effects as they play out, and we will adjust our estimates as necessary in the coming quarters.

As of June 30, the vast majority of our COVID-19 claims are yet to be settled or paid, as approximately 90% of the incurred loss amount has been recorded as IBNR, incurred but not reported reserves, or as additional case reserves within our insurance and reinsurance segments. In the insurance segment, the loss reserves we recorded this quarter for the pandemic were primarily attributable to exposures in our North American unit across the national accounts, programs and travel lines of business. In the reinsurance segment, the majority of the losses came from the property catastrophe, accident and health and trade credit lines of business.

As regards the potential impact of COVID-19 on our mortgage segment, it is important to mention that our estimates for our U.S. primary mortgage insurance book are based only on reported delinquencies as of June 30, 2020, as mandated by GAAP. As we discussed on the last call, our expectation at the end of the first quarter was for the delinquency rate to progressively increase throughout the remainder of the year, with a resulting expectation that underwriting income for the overall segment would be minimal for the remainder of 2020. While we did see such an increase in reported delinquencies in the second quarter, the current delinquency rate of 5.14% is approximately 30% to 40% lower than what we expected it would be when we developed our forecast at the end of the first quarter. While that is a positive sign for the ultimate performance of the book, we are also aware that many uncertainties remain, including the rate of conversion from delinquency to cure or claim, which we expect to be different than under more normal conditions. In addition, it is extremely difficult to predict how reported delinquencies and forbearance, which represent approximately 2/3 of total current delinquencies, will behave over time given the lack of historical data that is directly applicable to the current economic reality, which includes elevated unemployment rates, historically low interest rates, solid home price levels and unprecedented government intervention.

As we look towards the remainder of 2020 for our U.S. MI business, in light of the developments we have observed during the second quarter, our current expectation is that pretax underwriting income for the remainder of 2020 for the entire mortgage segment will remain positive, with a combined ratio in the 70% to 80% range, slightly better than the result we reported this quarter. In summary, while we are still faced with significant economic uncertainty, our expectations for the mortgage segment are definitely more positive than what we thought only a few weeks back.

In the insurance segment, net written premium grew 7.1% over the same quarter 1 year ago, a strong result given the material impact COVID-19 has had on some of our businesses, such as our travel and accident unit. As Marc said, if we exclude this line, the year-over-year growth in net written premium would have been 16.9%. The insurance segment's accident quarter combined ratio excluding cat's was 96.1%, lower by 330 basis points from the same period 1 year ago. Approximately 90 basis points of the difference is due to our lower expense ratio, primarily from the growth in the premium base from 1 year ago and reduced levels of travel and entertainment expenses this quarter. The lower ex-cat accident quarter loss ratio primarily reflects the benefits of rate increases achieved over the last 12 months. Prior period net loss reserve development, net of related adjustments, was favorable at $2.1 million, generally consistent with the level recorded in the second quarter of 2019.

As for our reinsurance operations, we had strong growth of 50.3% in net written premiums on a year-over-year basis, which was observed across most of our lines and includes a combination of new business opportunities, rate increases and the integration of the Barbican reinsurance business. The segment's accident quarter combined ratio, excluding cats, stood at 87.5% compared to 92.2% on the same basis 1 year ago, a 470 basis point reduction. The year-over-year movement is primarily driven by a more normal level of large attritional losses compared to a year ago, which explains approximately 330 basis points of the difference and the impact of the nonrenewal of a large transaction from a year ago, which contributed approximately 50 basis points. Most of the remaining difference is explained by operating expense ratio improvements resulting from the growth in earned premium.

Favorable prior period net loss reserve development, net of related adjustments, was strong at $28.9 million or 6 combined ratio points compared to 3.1 combined ratio points in the second quarter of 2019. The benefit was mostly in short-tail lines. The mortgage segment's combined ratio was 80.9%, reflecting the increased level of reported delinquencies in the quarter, as mentioned earlier. The loss ratio in the quarter is based on an assumed claim rate of -- on newly reported delinquencies for our U.S. MI book of slightly above 5%, combined with an average expected future claim value for severity, that is approximately 50% higher than claims we settled and paid in the quarter. This difference is explained by the fact that the distribution of the newly reported delinquencies carry a higher average outstanding loan balance as a higher proportion is for mortgages from the more recent origination years and from states that have higher loan values, such as California, Florida and New York. The expense ratio was lower by 100 basis points over the same quarter 1 year ago, reflecting lower operating costs, including reduced levels of travel and entertainment expenses. Prior period net loss reserve development was minimal this quarter at $0.2 million favorable.

Total investment return for the quarter was positive 372 basis points on a U.S. dollar basis, as the strong recovery in the capital markets produced healthy returns across our entire portfolio. The duration of our investment portfolio remained basically unchanged from the prior quarter at 3.18 years. The effective tax rate on pretax operating income resulted in a benefit of 0.9% in the quarter, reflecting a change in the full year estimated tax rate, the geographic mix of our pretax income and 110 basis point expense from discrete tax items in the quarter. As always, the effective tax rate could vary depending on the level and location of income or loss and varying tax rates in each jurisdiction. We currently estimate the full year tax rate to be in the 9% to 12% range for 2020.

Turning briefly to risk management. Our natural cat PML on a net basis increased to $832 million as of July 1, which had approximately 8% of tangible common equity, remains well below our internal limits at the single event 1-in-250-year return level. The growth in the PML this quarter is attributable to both E&S property within our insurance segment and property lines within the reinsurance segment, reflecting our ability to deploy more capacity to opportunities that safely exceeded our return thresholds, some of which were slightly tempered by additional reinsurance purchases.

As you know, we issued $1 billion of 30-year senior notes at the end of the second quarter, enhancing our capital base and furthering our objective of maintaining a strong and liquid balance sheet. Our debt plus preferred leverage ratio of 23.8% remains within a reasonable range. As discussed on the prior call, we paused our share repurchase activity since the start of the pandemic, and we do not expect to repurchase shares for the remainder of 2020.

At USMI, our capital position remains strong with our PMIERs sufficiency ratio at 161% at the end of June, which reflects the coverage afforded by our Bellemeade mortgage insurance-linked notes. In late June, we were able to obtain $528 million of coverage on our in-force book for the second half of 2019. Our ability to execute this transaction highlights the credit quality of our in-force book and further protects our balance sheet should an extreme tail event materialize. The Bellemeade structures provide approximately $3.1 billion of aggregate reinsurance coverage at June 30, 2020.
With these introductory comments, we are now prepared to take your questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Elyse Greenspan with Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question, on the property casualty side, you guys seem pretty optimistic and started to see -- saw a continuation of pretty good growth in the quarter. And so you guys don't disclose the capital supporting your property casualty versus the mortgage business, but if we're sitting outside the company and we just want to get a sense of the opportunity at hand and the capital that you have, given the recent debt raise, could you potentially, if it really is a strong market, double the size of your insurance book of business on your current capital base?

Marc Grandisson
President & CEO

I think it's a fair assessment. I think in general, you could think of capital allocation on premium from the P&C as a 1:1, that sort of gives you a range for capital usage, but certainly, the ability is there. And I would say that is also informed by how you develop it, right? Elyse, if you -- property care is a different and capital requirements, and then other lines of business such as quota share, let's say, on the reinsurance side, on liability. So there's a lot -- there's plenty of room for us to grow.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Great. And then on the mortgage side of things, you guys see some pretty helpful color that the current delinquency rate is about 30% to 40% lower than where you thought it would have been. So as you set the new guide for the outlook for the underwriting -- positive underwriting mortgage income for the rest of the year in that 70% to 80% combined ratio, can you give us a sense of where you expect delinquency rates to trend in the third and the fourth quarter?

François Morin
Executive VP, CFO & Treasurer

Well, we don't really -- we had -- the quarterly movements are a bit harder to predict. But I mean we had forecasted last quarter, somewhere around a 10% or so delinquency rate by the end of the year. We think -- right now, we're thinking that it will be more like around 8%. So obviously, we're monitoring weekly and we get data that comes in from all our servicers, et cetera, but that's kind of where we're at. There's about 8% delinquency rate by the end of the year.

Marc Grandisson
President & CEO

Yes. I think to add to this, Elyse. I would -- just to add to this, Elyse. I would say that this is -- it's a 1 quarter data point, so it will take us -- we still take a longer-term view and are not fully all reflecting the decrease or the lesser delinquency that we had. We had reported versus what we expected, where you get 30% to 40% and then François told you a 20% increase. That tells you sort of a level where we're thoughtful and measured in the way we want to recognize any immediate improvement.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

That's helpful. And then my last question. You guys have pointed to the severity per claim. I believe you said it was about 50% higher than some of the claims you settled in the quarter, just given the higher housing values, I believe. If I look in your supplement on the mortgage page, the average case reserve per default went down to 6,900 in the quarter, and it has been 14,400. Why would that number have gone down if you're actually setting up more for the current claims? I'm just trying to reconcile those numbers.

François Morin
Executive VP, CFO & Treasurer

Yes. The average is very much a function of the percentage of the delinquencies that are effectively in early stages of delinquency. So if you think of all these newly reported delinquencies in the quarter, they carry, again, effectively a 5-or-so percent claim rate versus the older-stage delinquencies and the percentages go up as the more mature, the later-stage mature delinquencies we have. So it's really -- there's no changes in assumptions. I'd say it's really just the way the mix of the portfolio or the mix of the delinquencies that we currently have changes over time. And this was really, as you know, the first quarter where we had a large surge of delinquencies coming from the pandemic.

Operator

Our next question comes from Mike Zaremski with Crédit Suisse.

Michael David Zaremski
Crédit Suisse AG, Research Division

I guess sticking with MI, so clearly there -- feels like there's some conservatism kind of built in that you expect the delinquency rate to continue moving north. Is the government stimulus kind of a big x factor in terms of like the -- how the $600 weekly unemployment insurance subsidy, whether that continues or not? Just trying to think about -- or I mean you can just -- should we just probably be looking at unemployment levels as well? Just trying to think about how to gauge because clearly, results have been good, so far much better than expected, which is great.

Marc Grandisson
President & CEO

So Mike, I think the easy question is, unemployment matters, it is a contributing factor that would precipitate, if you will, in delinquency and in claims, ultimately. The #1, the leading indicators, as I said in my notes, that will tell you whether there's a heightened increased risk of delinquencies is really the house price in there. So to the extent that the house prices are stable or keep on going up or that there is -- which is another way to say, as long as there's reasonable amount of equity in the house, we have found that borrowers do not tend to walk away from their obligation to mortgages. I know. So if you saw the great financial crisis, what happened is we had a combination of house price decreases and unemployment, so it sort of contributed to the acceleration and a more of an acute delinquency rate that we saw in the great financial crisis, which we are not seeing right now. So what we're focusing on -- of course, we look at what the government is doing, that's going to be helpful. And I think we'll see more of this impact at the end of the forbearance period. But for now, the house price index is extremely encouraging to us and really is a leading indicator on the propensity for homeowners to default.

Michael David Zaremski
Crédit Suisse AG, Research Division

Okay. That makes sense and that's helpful. Then in terms of -- we get a number of questions about the court cases in the United Kingdom, the FCA has kind of been writing about that. Is that contemplated in your COVID IBNR, whether those court cases go for or against the industry?

Marc Grandisson
President & CEO

Yes. We've taken a conservative approach, and we actually had reserves for it as the end of March. So we have reserved for it appropriately with fairly good level of reinsurance against it, so we're pretty much reserved there. If things -- it could -- presumably could be good news going forward for us there.

Michael David Zaremski
Crédit Suisse AG, Research Division

Okay. And just lastly, quickly, I'm sure other people will ask about kind of the segments. Any thoughts on new capital entering the broader insurance and reinsurance marketplaces? Do you feel that capital will continue then or is it having an impact on your ability to play offense at this point or is it still just a drop in the bucket? Any color would be helpful.

Marc Grandisson
President & CEO

So Mike, it's a little bit of everything you mentioned. I would say that the capital needs that are out there that we see in terms of client trying to find solutions and towers of coverage is meaning a place, a new place, a new home, we would need a significant amount of capital to neutralize that impact, if you will. So we're seeing actually acceleration, even though there are -- there's more capital being raised and new entrants, as we speak, thinking about coming in. We're not seeing any ebbing of the rate pressure that we see right now. And I think the demand for capital are pretty high. There's a couple of large players that were really providing a lot of capacity, acute capacity in very, very high capacity mongers in the industry have pulled out significantly, so that means that there's a lot of other capital that needs to find its way around to support it. So I would say that we are not seeing -- we hear what's out there, what's happening. We're encouraged by -- we raised some more capital, and there's other folks such as ourselves who have access to the business, access to the clients and relationships. We're able to raise capital. It bodes well for the health of those companies. But any new entrants, it will take them a while to get ramped up, and I don't think it's impossible. I think it's totally doable, but it's certainly not something that we're losing sleep over.

Operator

Our next question comes from Yaron Kinar with Goldman Sachs.

Yaron Joseph Kinar
Goldman Sachs Group, Inc., Research Division

First question on MI and then a couple on the COVID losses. So in MI, I haven't really seen any significant pullback from that market. So I guess should I take that to mean that even with all the COVID economic uncertainty, you still view it as a pretty attractive business?

Marc Grandisson
President & CEO

Yes, it is still very attractive. I would even argue on that the production in the second quarter and as we speak is actually better than it was 6 months or a year ago, where the rates that's -- rate pressures and also quality of underwriting, quality of the originations is a lot better than it was even a year ago. So yes, there is a lot more activity. The activity, Yaron, to be fair, is also driven by the refinancing market, which was not there and by -- dropping the mortgage rate below 3%, that does create more business back into the market. As a result of that, there's a lot of prepay, right? There's a higher level of -- the lower level of persistency, which means that there's more churn, if you will, in the portfolio of business. So I think it's just a reflection of people coming out of their current -- they're coming out of their higher mortgage rate, and it's just refinancing at a low level, which still makes economic sense. Now we're on the receiving end to grow. That's what we have such, we believe, much higher NIWs than otherwise would have been in a more stable marketplace.

Yaron Joseph Kinar
Goldman Sachs Group, Inc., Research Division

Got it. That's helpful. And then with regards to the COVID losses, maybe a couple of questions there. One, when you talk about IBNR, do you include only events or losses from events that have already occurred or do you also include events in the future that are probable -- very probable to occur?

François Morin
Executive VP, CFO & Treasurer

Well, I mean, that's a -- I mean a good question, which, as you know, people are -- I think companies are may be answering that, I don't want to say differently, but I think the words -- we have to be careful with how we use the words, right? So I'd say, no question that we can only reserve for incidents or occurrences that have happened before June 30. I mean that's under GAAP. And anybody that tells you they're reserving for occurrences that are going to happen in the third or fourth quarter, I just don't know how you can do that. What we have done is set, again, a high level, I think, a prudent level of IBNR on both insurance and reinsurance on things that we know happened or think have happened, right? I mean the whole concept of IBNR. So we have certain claims that have been reported. We don't know. And certainly, when you get into structures or when you're in an excess position, you're somewhat making a judgment on whether the claim will attach in your layer, et cetera, and that's where there's a bit more -- there's a bit of art that goes on and not necessarily tons of data or science around it. So I think the answer to us is we've reserved for everything through June 30, and we would say there's an ultimate, right? So the truly, our best estimate of what we think the exposure is, and that's where we are. I mean we can't really do more than that at this point given the accounting rules and guidelines.

Yaron Joseph Kinar
Goldman Sachs Group, Inc., Research Division

Got it. And then final question also with regards to COVID. Between first quarter and second quarter, the increase in loss and COVID losses, is some of that coming from IBNRs that you had already set up in 1Q but then took a second look and realized they need to be higher or is that from really new lines of business and new areas that had not been not previously reserved for?

François Morin
Executive VP, CFO & Treasurer

Well, I'd say it's a bit of both. I mean I would say, on the insurance side, for example, at Q1, we had reserved primarily in set IBNR, primarily in our international book because again, back to the -- in the U.K. in particular, property book or regional property book there, we were of the opinion that there was exposure there. We took action and we booked IBNR on that. I'd say in the second quarter, for example, we booked, and I mentioned it on national accounts, that's where we have workers' comp exposure, again, if you want to be very technical at 1 point, I mean the deaths or the occurrences hadn't happened at the end of March, they started to take place, especially with health care workers, as an example, in April and May. So that's when we -- that's what we reserved for in the second quarter. I'd say on the reinsurance side, it's a bit murkier. It's not -- we're somewhat at the mercy or have to have discussions with our scenes and on the property cat book, for example. We had booked a little bit of IBNR at the end of Q1. But through additional discussions and investigations and file reviews in the second quarter, we booked a bit more on that front and the same is true in trade credit. So hopefully, that answers it, but it's a bit of both, I'd say.

Yaron Joseph Kinar
Goldman Sachs Group, Inc., Research Division

That is helpful. And maybe one other one, if I could sneak it in. On the BI front in reinsurance, the increases in COVID losses that you're reserving for today, are those coming more from international accounts or more from the U.S.?

François Morin
Executive VP, CFO & Treasurer

Correct, more international. Absolutely. As you know, we have exposure. I mean -- Continental Europe, in particular, there's France here, there's certain countries where the BI coverage is more implicit and provided by the primary policies, so those are some of the examples that we -- or policies that we -- or treaties that we're reserving for at this point.

Operator

Our next question comes from Josh Shanker with Bank of America.

Joshua David Shanker
BofA Merrill Lynch, Research Division

Can we talk a little bit about July and how it compared with -- noticing for mortgage defaults?

Marc Grandisson
President & CEO

Can you repeat the question, please, Josh?

Joshua David Shanker
BofA Merrill Lynch, Research Division

Yes. Can we talk about -- compare May, June, July [Audio Gap] -- of you receiving notices for forbearance and defaults?

Marc Grandisson
President & CEO

Yes. I think, we -- I think the one place -- the one thing that we could say, I mean, it's -- the data is probably lagging a little bit from our perspective. But the good one to look at is the -- there's information back now, I think, and the MBA is providing information as to what is their estimate surveying the market and their clients as to who -- what's the forbearance percentage. I think it was pretty much plateauing as we got into May -- towards the end of May into June, and through the second -- first or second week of July, and it's gotten down since then. So we're about 6.1% based on that metric in percent of forbearance from the GSE portfolio, from the industry data, and now it's at 5.49% as of July 13, I believe, this last week. So we've seen a decrease right now, Josh. Whether it continues that way or goes back up again.

As you know, a lot of people pay on the first of the month, but we'll probably have more information and a better clear picture as to what August look -- July looks like in the middle of August.

Joshua David Shanker
BofA Merrill Lynch, Research Division

Okay. And do you have any evidence, one way or the other, what RateStar has had any discernible difference in claim behavior -- I should say, claim-noticing behavior compared to how a lot of your competitors were pricing risk prior to your -- to adopting your methods?

Marc Grandisson
President & CEO

Yes, I think it does. It has had an impact. I think when we talk about cycle management. We also were doing it possibly a little bit more under the radar screen and MI. I think that our RateStar approach with all the parameters, actually took us away from a higher than 95 LTV, higher DTIs in certain geographical areas. So yes, we do believe if we adjust for all the variation. I mean it's not a huge differential, but there is a slight improvement or a slight difference going to our advantage in terms of our delinquencies based on our portfolio and the risk that we underwrote for the last 4, 5 years.

Joshua David Shanker
BofA Merrill Lynch, Research Division

All right. And one last one. I think you mentioned the change in AML. I don't think you mentioned the RDS change or maybe I missed it. Where is RDS as a percent of -- directly as of the end of the quarter?

François Morin
Executive VP, CFO & Treasurer

Still right at 8%, pretty flat. We've -- a couple of movements across the kind of contributions, but yes, 8% of tangible book.

Operator

Our next question comes from Ryan Tunis with Autonomous Research.

Ryan James Tunis
Autonomous Research LLP

Appreciate the MI guidance, I realize all this is like literally impossible to nail down, but I'll go ahead and I'll push on it a little bit more because it is interesting. So when you think about the full year delinquency rate, in your mind, what are you thinking the percentage of forbearances are going to be of, I think you said, what was it, 8%? How much of that is forbearance versus what you think of as like a real delinquency?

Marc Grandisson
President & CEO

Well, the forbearance that we will declare -- that we will report -- that we're reporting to you are delinquencies by definition, right? So it's very hard to see, I know what you're asking. And I think the one thing that we will tell you about projecting forbearance rates and delinquency rates in this forbearance world is that data is very, very hard to get, and it's lagging a fair amount, so very difficult for us to tell you.

Ryan James Tunis
Autonomous Research LLP

And I guess my follow-up, too, is how are you planning on treating these delinquencies as they age? Like you're obviously using a pretty conservative incidence rate of 5%. I mean as those move into the -- as those age to 6 months or whatever, like are you going to keep it at 5% or are you going to assume something bigger than that?

Marc Grandisson
President & CEO

I think it's -- there are 2 moving parts of that 5%, Ryan. One is the -- it comes up really as our pre-COVID NODs to ultimate, which was 7.9%, and we gave a discount about 33% haircut by virtue of being a forbearance. So as we move forward, that 7.9%, which is a claim that's aged 3 months versus a claim that's aged 2 years or 9 months even though it's a forbearance, we might have to increase those rates. But at the same time, if the forbearance programs are getting better, we might give a bit more discount or less discount. So it's a really, really -- and you're right, you just pointed at the beginning of your comments. I think I should have probably let you answer your own question, which is it's pretty much impossible to answer at this point in time. But right -- and we have -- all we have is a 7.9% pre-COVID ultimate NODs which was starting point getting some discount, recognizing that the regular forbearance program on hurricanes, which it is not right now -- is as low as 2%. So we're try to find our way around that environment, also recognizing that the delinquencies out of this crisis, this COVID-19, will be longer to resolve because the forbearance program, as we all know, will last for 12 months. So it's going to be -- it's going to take us a while to really understand the underlying fundamental characteristics of those risks.

And to add all this -- to all of this, if that wasn't enough, we'll have remediation programs put in place by the GSEs, which presumably should help a tremendous amount. But again, it remains very early to see -- to say.

Ryan James Tunis
Autonomous Research LLP

Understood. And then lastly, Marc, this is purely hypothetical, but if you had $1 of capital for the next year or 2 years, and you can only allocate it to reinsurance or primary insurance, is there a clear preference for which one you allocate it to?

Marc Grandisson
President & CEO

How many years?

Ryan James Tunis
Autonomous Research LLP

2 years.

Marc Grandisson
President & CEO

Man, so to me, you're asking me to choose among my kids. I got 3 kids, I love dearly. I would split it in 3 -- 3 ways or I mean which way I would like to -- I mean to me, it's not an all or nothing. But I do believe right now at this point in time, which is I think what you're getting into, which I mentioned in my comments, the returns on the reinsurance are quicker to a high level get quicker. But in terms of value creation over the longer time, insurance will get there and get traction. It just takes a longer time to accumulate business at a higher level, so -- but the problem with the reinsurance, it's great for a couple of years, but then you might lose that business. So it's not an all or nothing kind of situation. I wouldn't want to go, let's say, all in, in reinsurance, even though they have higher ROEs sooner at the cost of losing long-term value creation from the insurance unit.

Operator

Our next question comes from Meyer Shields with KBW.

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

I wanted to follow-up on that question but in a different direction. You talked about reinsurance maybe recovering faster than insurance. How is the current hardening cycle playing out in terms of speed relative to past cycles? Is there any observable difference?

Marc Grandisson
President & CEO

Not really. I would say that we -- Meyer, we may have that discussion before. A hard market never happens overnight. It takes 5 signal -- 2, 3 quarters. Losses have to develop. Management team have to figure out what they want to do and put pressure on their underwriting team. So it's no -- it's not unlike others that we've seen before. I would say that we were going to a strengthening of the market conditions even before COVID-19, I think that COVID is probably accelerating the reaction and the willingness and the boldness that we see in the underwriting teams around the industry. But there are still pockets, Meyer, where people seem to be a little bit aloof in what's going around. And these are the areas we're not growing as much as we should. But I know every cycle turn is different, but I'm not seeing significant difference. It does take-up -- and well, one last thing I will tell you. The one thing about this one is that we have yet to see is the 1/1 renewal on reinsurance is a really important renewal date, so we'll have a lot more sense as to how quickly and how reactive the market will be as we head into this one.

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

Okay. No, that's very helpful. In the past, we've been, I guess, targeting improvements within insurance that would get to a 95% combined. And when we look to the lens of current pricing, is there an update in terms of what that 95% can become?

Marc Grandisson
President & CEO

I hope it's lower. But all kidding aside, Meyer, I think that the 95% was put in place as an aspirational number 2, 3 years ago now, 2 years ago now, in an interest environment that was different. So I think right now, what we're processing it through -- this was sort of an aspirational as a guiding sort of target for our insurance group. I think right now, what we're seeing is we're going through every different line of business and business units and attributing capital and return on investment, and we're pitching everything to get to the right level. So 95% is an oversimplistic way of looking at this. But all things being equal, I think I would expect it to be lower, right, for the industry, and that's also why you'll probably see a bit more pressure on the pricing around us in the industry.

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

Okay. Perfect. And then final question, if I can, just in terms of whether you've had to take into account, whether it's COVID or something like that, that's so remote or other pressures, whether you've dialed up your overall last year numbers in insurance or reinsurance?

François Morin
Executive VP, CFO & Treasurer

Not in a meaningful way. I think -- I mean we've been pretty cautious. And I think I've been, I'd say, realistic about what the loss trends have been and what we expect them to be going forward. As you know, we haven't relied exclusively on kind of the last 5 or 10 years of data. We superimposed our own views on what a more normalized view of loss trends is or should be. And I think we're still very comfortable with where we were at and recognizing that yes, COVID is a bit of an outlier. But at this point, haven't really factored in any material changes in our loss trends in how we price the business.

Operator

Our next question comes from Brian Meredith with UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

A couple here for you. First one, I don't think you mentioned it, but was there any benefit at all in the quarter from just lower frequency of economic activity, kind of from a claims perspective, in any lines of business?

François Morin
Executive VP, CFO & Treasurer

I mean there are some indications that in some places, yes, there's lower economic activity, which will translate to lower losses or claims. We really haven't reflected that yet. I mean we want to take a cautious approach on that, so I'd like to think that maybe there's some to come down the road, but for now, we haven't factored that in anywhere in our numbers.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. And then second question, I'm just curious, Marc, as you look at, I guess, the HEALS Act here, there's a component into it of kind of liability, call it indemnification. As you think about it, if that doesn't go through, is that a potential issue here for you and the insurance industry? And how do you kind of think about it from an underwriting perspective here going forward?

Marc Grandisson
President & CEO

I missed the word you said, Brian. Could you repeat the early part of your question?

Brian Robert Meredith
UBS Investment Bank, Research Division

Well, it's -- basically, curious about protection or what you think about as far as the economy reopening here and potential liability associated with kind of COVID-19. The current, I think it's called the HEALS Act or the CARES 2 Act, has got some language in there trying to grant businesses and immunity for it, right? I'm just curious of your thoughts around that. And if you're interested for insurance?

François Morin
Executive VP, CFO & Treasurer

Well, it's not good.

Marc Grandisson
President & CEO

They're going to allocate more liability to us or presumption to us is not good. But I think in this sense, these laws are always there. There's always things that are happening. We're going to have to react to what we see when we see it. That's all I can tell you, Brian. It's very hard to sit here and go through what impact it is. If we were to react and do this full drill about everything that goes and a bill that's proposed, it would take a lot of our time. So we'll react to it when we'll react to it. Right?

Brian Robert Meredith
UBS Investment Bank, Research Division

Yes. And Marc, I think you get it wrong. I think you mistake my question. My question more is, from your insurance policies perspective as you look going forward, as the economy reopens up, there's clearly EPLI exposures or GL exposures, all sorts of exposures to potentially present themselves as benefits. How do you -- how are you thinking about that from an underwriting perspective?

Marc Grandisson
President & CEO

Well, we have written policies that have EPLI exposure, we have GL exposures, but we are not a large risk writer. We don't write the large insurers, so that's certainly something that would be helpful to us. We would argue that a lot of the larger claims, a lot of the focus from the low risk plaintiff bar would be focused on the larger, deeper pocket insurer, so that's one thing we have for us. We also have a fairly amount -- a good healthy amount of reinsurance, so we're not overly concerned with the sideways change.

Brian Robert Meredith
UBS Investment Bank, Research Division

Yes. Got you. Okay. And then another just quick one here. Your travel insurance, I'm just curious, how big of a book is that? And obviously, we're probably going to see some continued pressures there for the rest of the year.

Marc Grandisson
President & CEO

Yes, it was originally about a couple of hundred million dollars of premium, and now it's down -- I mean, you could see the numbers, you can multiply by 4. I don't need to -- 250 actually for the year. So that's -- it's been -- it's taken a big dent, and that also explains why the growth was more tested this quarter than otherwise could have been.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. And then one other just quick one here for you. I know you guys launched the sidecar guesses in the first quarter. Any thoughts about additional kind of alternative capacity here to potentially capture some of the good attractive opportunities in reinsurance?

Marc Grandisson
President & CEO

It's a good question, Brian. You're trying to get us to say something we don't want to say, we can't say and we won't say. We don't mention about -- we certainly are always on the lookout to raise capital to deploy it with third party, a lot of discussions are happening all over. We'll have probably more update as we see it happen, and we'll be communicating to you to the extent it's appropriate, but how much more it is clearly -- yes.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. Great. Great. And last one, just quickly, any updates on Coface?

Marc Grandisson
President & CEO

Coface, strategically, is still something we really very much think is valuable for the shareholders. There's a lot going on. We're still going through the process of approval process, and we're keeping a keen eye on what's happening. I think they reported results yesterday, which were better than the Street expected. So hopefully, if that goes. It's also there as well a developing situation with them.

Operator

Our next question comes from Phil Stefano with Deutsche Bank.

Philip Michael Stefano
Deutsche Bank AG, Research Division

Just a quick one on the Bellemeade transaction. I'm thinking about the potential for these moving forward. I guess it seems like the Bellemeade deal that was done in the past quarter, just given its attachment was probably more for S&P capital credit than PMIERs. When we saw an MI pure play come out with their own ILN transaction, which is, in my mind, more of a traditional attachment point in the low single digits, but the spreads on that and the pricing was significantly higher. How are you thinking about the managing of tail risk that Bellemeade provides versus just the capital credit that could be from playing I would think something that could be considered well above the working layers for the MI reinsurance coverage and the capital relief that something like that might provide?

Marc Grandisson
President & CEO

Yes. It's a good question. I think it's always something we evaluate when and if we place or look at options that are in front of us. You're correct, this one attaches -- the last one attaches above the PMIERs credit, but we're still very much in -- we have a healthy PMIERs ratio, so that didn't really concern us too much at this point, not to say that next time or down the road, we may not go back to a lower attachment point. But yes, the focus was really -- yes, it's an available source of capital. From a rating agency point of view, S&P, you're correct, it covers that. It provides us coverage there. And also, we felt as being the first one out of the gate, even before the GSEs to go back and access the capital markets was, we thought, a very strong message, demonstrated -- again, I touched on it, the quality, the book and the investor base is still very -- has a lot of interest and appetite for the product, so I think we were happy with the placement. No question, it's always too expensive. We'd like to see the price to come down. We hope they do down the road. But for the time being, given the economics in front of us, we were -- I think it was a good move on our part.

Philip Michael Stefano
Deutsche Bank AG, Research Division

Got it. And to the extent that you guys have a disclosure wish list that you keep in the background, I think it might be helpful to see the USMI disaggregated from the international and the mortgage reinsurance book just been the significant differences in how those businesses are reserved for.

François Morin
Executive VP, CFO & Treasurer

See you. Thank you.

Operator

Our next question comes from Geoffrey Dunn with Dowling & Partners.

Geoffrey Murray Dunn
Dowling & Partners Securities, LLC

I guess first, just a quick number question. Can you quantify the impact of the accelerated singles in the quarter?

Marc Grandisson
President & CEO

Did we do that? I think it's about $50 million.

Geoffrey Murray Dunn
Dowling & Partners Securities, LLC

$50 million, okay. And then let's think forward past the end of new forbearance, so early next year, so given what you know about the economy now, obviously, very different from a couple of months ago, how would you think about claim rates on new notices without forbearance? Because again, you pointed out, it's very different with home prices, remains to be seen if we're going into a recession or not. And I think, Marc, last quarter, you suggested we might be looking at 13%, 14% given what you knew then. So what do you think about that type of number as you get into early 2021 based on what you know today?

Marc Grandisson
President & CEO

I think the 5% is probably -- this is like on NODs or you're talking about ultimate claims rate for the portfolio?

Geoffrey Murray Dunn
Dowling & Partners Securities, LLC

On NODs. So new notices coming in, forbearance goes away.

Marc Grandisson
President & CEO

NODs, yes. Right. I think we were at 7.9% pre-COVID. I think that the forbearance should be pretty helpful and to bring it up -- not bring up to the 13%, 14%, you just mentioned -- I mentioned first quarter. That's probably -- my gut would tell me a slight increase for a little while until we see things shake out and things came back to more normalcy. And I think reverting back to some kind of level. I think the forbearance program were to play out to the way it should play out. It's still very uncertain, as you know, Geoff. I think that we should get back to -- it might stay elevated for a while, maybe 12%, 13% for a little while, but it should go back down at some point for next year, I would say.

Geoffrey Murray Dunn
Dowling & Partners Securities, LLC

Okay. All right. So you do think, given what you know about the economy and built-up equity that you could still see 12% type of incidence assumption?

Marc Grandisson
President & CEO

Yes. The -- yes, on NODs, right? On new NODs for regular piece, not for the forbearance piece? The forbearance piece, we gave -- we did give a discount, right? There's a discount to that. So yes, then just got it from -- right -- congrats, yes.

François Morin
Executive VP, CFO & Treasurer

Quick -- I mean before you go on to the next one, Geoff, quick update for you. The actual impact of the singles was $27 million in the quarter. Just correction to Marc's $50 million.

Marc Grandisson
President & CEO

Okay. Go with $51 million.

Operator

Our next question comes from Jimmy Bhullar with JPMorgan.

Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

I just had a question on pricing and just how you think about the interplay between the decline in exposures if the economy remains weak and how that could affect demand and pricing? And relatedly, what else is out there that you think could potentially derail the momentum that you've seen in pricing, both in insurance and reinsurance?

Marc Grandisson
President & CEO

I mean it's hard to predict the future. As you know -- oh my God. I think if everything resolves -- I mean even if things resolved for the better, I think the momentum that we've seen in the first quarter, late 2019, early 2020, I think we would still see some momentum. I think it would be just a matter of degree, how much higher the rates could go. But I do believe the momentum was there for a turnover market way before pre-COVID-19. COVID-19, like I said before, exacerbated the need for rate and accelerate the need for rate.

Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

And then there's been a lot of talk about sort of ILS and trapped capacity, and what do you think about when either some of the capacity gets relieved or potentially gets absorbed? And once there's clarity on that, do you think by this time next year, like a lot of the trapped capital would actually be out?

Marc Grandisson
President & CEO

It's a possibility. I mean that's also assuming there's no more cat occurring this year. But this is a long-lasting cat event, so it's not as clear as having a quake, let's say, in March. And I guess in a year out, it's still developing, but you have a better sense for wanting to or would be willing to release capital. This one will take a bit longer to process through, right? For instance, you could have arguments in courts and new ways and new push back on the insurance industry to pay claims in a property cycle. And that would take -- that could take another 1.5 years or 2 years to resolve. So there's a lot more uncertainty in terms of timing, finding resolution of the ultimate prices. So it's a lot less certain that it will take only a year to get through it.

Operator

Our next question comes from Jamie Inglis with Philo Smith.

James Inglis
Philo Smith & Co.

I wanted to follow-up on the conversation we've been having about forbearance programs and to what extent delinquencies get cured, get claims -- turn into claims sort of, et cetera. And I appreciate that we don't know what's going to happen going forward, but I'm wondering if you could speak to what you learned in previous forbearance programs and how that affects your thinking about your current book? And if -- and what you learned in there? Was it -- did you learn anything about LTVs, geographies, sort of, et cetera? And how does that apply to your existing book today?

Marc Grandisson
President & CEO

I think we have done reserving in the past, considering all the dimensions you just talked about, I think that we had the -- the beautiful thing about the prior hurricanes or the beautiful thing in a way is that we have prior hurricanes and prior events that we can go back to and look at the experience. This definitely help us put, I guess, boundaries around what could happen, but this one is very unusual in the length of the forbearance program and the breadth and how widely spread it is. And I think we also have to throw in there the $600 per week unemployment benefits and the distribution that we talked about. Some regions are more heavily affected than others. So I think everything gets in the mix, Jimmy -- Jamie. It's not just one dimension. And I think what we've learned is that we sort of can use the historical forbearance experience as sort of as a range of possible outcome. But we actually are digging heavily, heavily into developing a much more refined view of a forbearance-specific programs, such as the one we're facing right now. And we may never use it again, but at least we're in the process of readjusting our development claims model called ARMOR that we have internally. So we're -- it's still very much developing, and we're learning on the fly.

François Morin
Executive VP, CFO & Treasurer

Yes. 2 things I'll add quickly to that. As Marc mentioned, the historically forbearance delinquencies, most of them cure. I mean -- and we made comment that the 2% kind of claim rate, so that's obviously a very positive sign, but that's, again, more localized, and it's a short-term issue. So I mean understandable that these delinquencies, most of them would cure. So that would be one extreme, that would be a very good result in this situation. Maybe a little counter to that, as you may know, many of the claims or the mortgages or loans and forbearance, up to 40% were actually still current up until recently. So in the early days of the second quarter, many loans had accessed the forbearance programs but remained current and made their mortgage payments. The data now suggests that, that percentage has come down. So the reality is now we'll get a few more loans that have turned delinquent that were historically current or had been current in forbearance but now have turned delinquent. So that's a bit of a data point that we're monitoring, but that kind of gives us a bit of -- not necessarily concerned, but we have to understand better so that we can refine our estimates as we move forward because the 2% ultimate claim rate may not be achievable or probably won't be what we end up with in this current situation.

Operator

I'm not showing any further questions. I would now like to turn the conference over to Mr. Marc Grandisson for closing remarks.

Marc Grandisson
President & CEO

Thanks for joining us this quarter. Please stay safe. Have a nice rest of the summer, and we'll talk to you in the fall again. Thank you.

Operator
Ladies and gentlemen, thank you for participating in today's conference. This concludes the program. You may all disconnect.