S&P Global
Market Intelligence

The Travelers Companies, Inc. NYSE:TRV

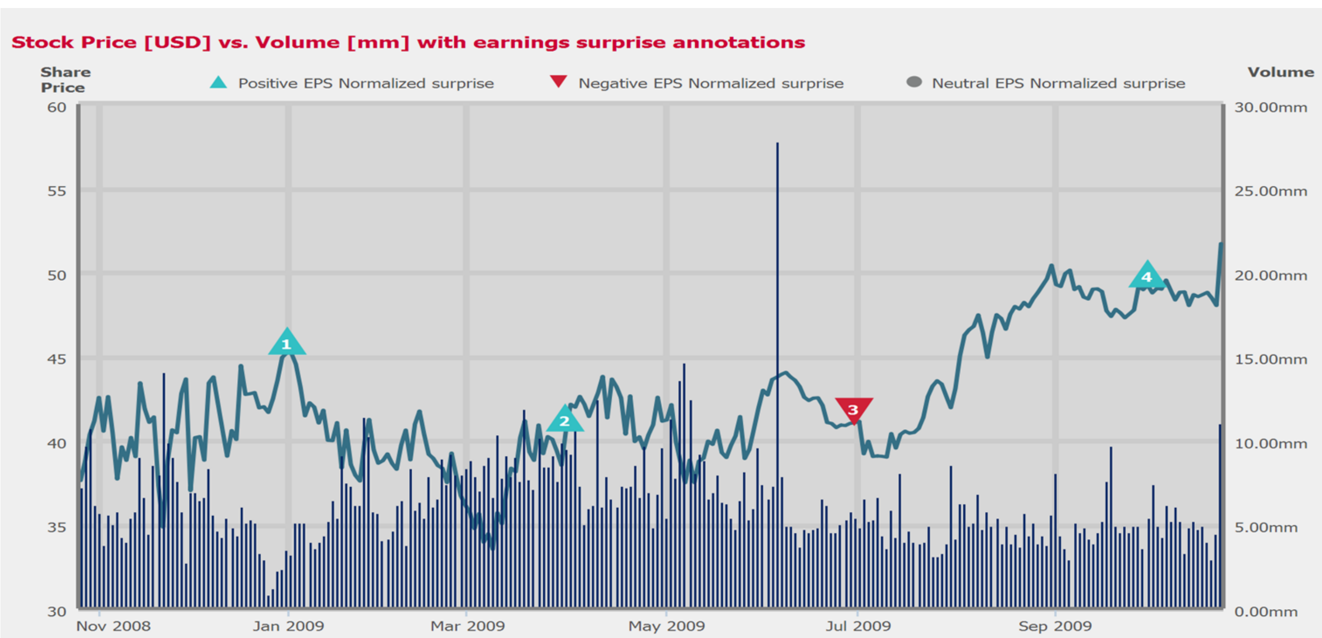
FQ4 2009 Earnings Call Transcripts

Tuesday, January 26, 2010 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2009-			-FQ1 2010-	-FY 2009-		
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	
EPS Normalized	1.49	2.12	42.28	1.41	5.69	6.29	
Revenue	-	-	(0.08 %)	-	-	-	
Revenue (mm)	5347.38	5343.00	-	5267.11	21428.25	21418.00	

Currency: USD
Consensus as of Jan-26-2010 1:37 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2008	1.45	1.58	8.97 %
FQ1 2009	1.30	1.34	3.08 %
FQ2 2009	1.27	1.25	(1.57 %)
FQ3 2009	1.32	1.61	21.97 %

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Call Participants

EXECUTIVES

Bill Heyman

Brian MacLean

Gabriella Nawi

Greg Toczydlowski

Jay Benet

Jay Fishman

John Albano

ANALYSTS

Brian Meredith
UBS

Cliff Gallant
KBW

Dan Johnson
Citadel

Jay Cohen
Bank of America/Merrill Lynch

Jay Gelb
Barclays Capital

Matthew Heimermann
JP Morgan

Michael Nannizzi
Oppenheimer

Paul Newsome
Sandler O'Neill Partners

Presentation

Operator

Good morning, ladies and gentlemen and welcome to the fourth quarter and full year earnings review for Travelers. We ask that you hold all questions until the completion of formal remarks, at which time you'll be given instructions for the question-and-answer session. As a reminder, this conference is being recorded on Tuesday, January 26, 2010.

At this time, I would like to turn the call over to Ms. Gabriella Nawi, Senior Vice President of Investor Relations. Ms. Nawi, you may begin.

Gabriella Nawi

Thank you, Pama. Good morning and welcome to the Travelers discussion of our full year 2009 results. Hopefully all of you have seen our press release, financial supplements and webcast presentation released earlier this morning. All of these materials can be found on our website at www.travelers.com under the investor section.

Speaking today will be Jay Fishman, Chairman and CEO; Jay Benet, Chief Financial Officer; and Brian MacLean, President and Chief Operating Officer. Other members of senior management are also in the room available for the question-and-answer period. They will discuss the financial results of our business and the current market environment. They will refer to the webcast presentation as they go through prepared remarks and then we will open it up for questions.

Before I turn it over to Jay, I'd like to draw your attention to the following on page one of the webcast. Our presentation today includes certain forward-looking information as defined in the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact may be forward-looking statements. Typically, our earnings guidance is forward-looking and we may make other forward-looking statements about the company's results of operations, financial condition and liquidity, the sufficiency of the company's reserves and other topics.

The company cautions investors that any forward-looking statement involves risks and uncertainties and is not a guarantee of future performance. Actual results may differ materially from our current expectations due to a variety of factors. These factors are described in our earnings press release and in our most recent 10-Q and 10-K filed with the SEC. We do not undertake any obligation to update forward-looking statements.

Also in our remarks or responses to questions we may mention Travelers operating income, which we use as a measure of profit and other measures that maybe non-GAAP financial measures. Reconciliations are included in our recent earnings press release, financial supplement and other materials that are available in the investor section on our website, www.travelers.com.

With that done, here is a Jay Fishman.

Jay Fishman

Thank you, Gabby. Good morning, everyone and thank you for joining us today. By now you've seen our fourth quarter results and clearly they stand on their own merits. For the quarter, we reported record net income as well as record net and operating income per diluted share. For the year we reported net income in excess of $3.6 billion and return on equity of 13.5%.

In the quarter, we repurchased 30.1 million common shares for just over $1.5 billion and for the year we repurchased 69.4 million common shares for approximately $3.3 billion. Throughout the past year, we have continued to capitalize on our competitive advantages to generate top tier profits and return excess capital to shareholders thereby producing attractive returns.

Jay and Brian will have more to say about our results in a few minutes. What I would like to do is to take the next few minutes and give you a broader perspective on our recent history and what it means to you. In the five full fiscal years, since the combination of Travelers into St. Paul, we have clearly distinguished ourselves amongst financial service companies in terms of overall financial performance.

Our cumulative earnings from continuing operations have totaled over $17 billion. We have achieved a cumulative average annual return on equity from continuing operations of 14.1%. We've returned $13 billion of capital to our shareholders through share repurchases and common dividends, and our average annual growth in book value per share and dividend per share has been 10.9% and 8.4% respectively. This performance has resulted in a total return to shareholders defined by share price appreciation and the reinvestment of dividends, which ranks us as a top performing financial service company.

On page four of the webcast, you can see our five, three and two year total return performance compared to a significant number of leading U.S. listed financial service companies including the 20 largest Standard & Poor's financials by market capitalization. In each time period, our total return ranks us no lower than sixth.

On page five of the webcast, you can see similar statistics for the Dow 30 industrial average companies. We're very proud of these results and we believe that they are the result of well executed strategies. We know that many of you focus intensely on the rate dynamics of our business. Brian is going to discuss in detail our rate levels across all three of our business segments, but in summary, the impact of renewal rate changes on renewal premiums remained positive in the quarter across all three business segments.

Nonetheless, while we agree that pricing is an important aspect in our business, it is not the only competitive lever by a long shot. Where we believe we are different from so many in our industry is in the exceptional value we provide to our customers, brokers and agents through the breadth of products and services we provide. In the last five years, we have made significant investments in our franchise to enhance this value, whether it is developing technology platforms such as TravelersExpress and Floridian Auto & Home to help agents more easily do more business with us.

Introducing new products including our growing suite of middle market industry edge products to meet the specialized and changing needs of our customers, redesigning our claim processes or helping our customers minimize their risks through our industry leading risk control services, we are constantly looking to enhance our value proposition. These investments have been important and we believe they have contributed meaningfully to our ability to differentiate Travelers in a crowded industry.

With respect to pricing, we've said it before and we'll say it again, our industry is no different than most. Product pricing is an important element of success and we wrestle with pricing strategy every day. However, we do not believe that our business is a commodity business.

Pricing is only one component of competition and agents, brokers and customers have preferences regarding the company with which they choose to do business. Our investments have been geared towards making Travelers a more compelling choice and enhancing our profitability.

As we look forward the investment opportunity we will continue to provide is pretty straightforward. We will always manage shareholders capital with a view that on their behalf we should be appropriately compensated for risk that we assume whether it's on the right side or the left side of the balance sheet.

We will continue to build on our competitive advantages as well as continue to seek rate where needed, so that the pricing of our product reflects our long term return expectations. We remain committed to continue returning excess capital as evidenced by the stated assumption in our 2010 guidance of between $3.5 billion and $4 billion in common share repurchases.

Before I turn it over to Jay Benet, I'd like to address the subject of providing annual earnings guidance. We've thought long and hard about whether the practice is one which we should continue. Our thought process considered the fact that we exclude reserve development from our guidance and catastrophes are fundamentally unpredictable.

However, many in the analyst community nonetheless include their own estimates for both. We believe that our core earnings are actually quite predictable given our straightforward approach of running our business and that the level of transparency, clarity and insight that we provide to investors on a regular quarterly basis is industry leading.

Given the general nervousness that exists in the financial marketplace, and the risk of individuals misperceiving why we would stop a practice that we've been following for sometime, we have decided to continue providing guidance this year consistent with past practice. However, it is our intention to stop providing explicit earnings per share guidance after 2010 and over the next year we will reach out to the investment community to make sure we have a smooth transition.

With that, let me turn it over to Jay.

Jay Benet

Thanks, Jay. Let me refer to page six and start with my usual statement that our balance sheet remains extremely strong and that all of our capital, leverage and liquidity measures were at or better than target levels. In fact, despite supplementing normal dividends paid from our operating companies with a special $500 million fourth quarter operating to holding company dividend.

Our operating company capital actually increased to $23.2 billion at the end of the year from $21.5 billion at the beginning of the year. This increase resulted from our very strong fourth quarter results and, to a lesser extent, from the favorable impact of certain fourth quarter regulatory changes.

As many of you know, the NAIC recently adopted two rules that the life insurance industry had been pressing for, a temporary rule effective for 2009 and 2010 easing restrictions on the amount of deferred tax assets insurance companies could recognize on their stat balance sheets, and another rule to change requirements for valuing non-agency residential mortgage-backed securities from an approach based upon ratings from traditional rating agencies to one based upon a model developed by PIMCO.

While neither of these regulatory changes impacted our GAAP financial statements, the deferred tax asset change and the non-agency RMBS valuation methodology change had the positive effect of increasing operating company capital by approximately $500 million and $100 million respectively.

Full year share repurchases were $3.3 billion and common stock dividends were $690 million. Despite accelerating share repurchases in the second half of the year with the intention of lowering holding company liquidity to an amount that was closer to our target level, our strong profitability and the timing of operating company dividends resulted in holding company liquidity of $2.1 billion at year end, exactly where we began the year and almost twice our target level. Our plan is to reduce this amount in 2010.

We increased our leverage slightly from 19.5% at the beginning of the year to 20.3% at the end of the year and we increased book value per share by 22% to $52.54, the fifth straight annual increase in book value per share since the Travelers/St. Paul merger.

After-tax net realized investment gains were $130 million in the quarter, driven by an after-tax gain of $103 million on the sale of half of our Verisk holdings. Fourth quarter net realized investment gains also included impairments of only $16 million after-tax, and combining this with prior quarters, we recorded a full year after-tax net realized investment gain of $22 million.

Total net unrealized investment gains were $2.8 billion on a pre-tax basis at year end, which included only $150 million of investments for which fair value was continuously less than 80% of amortized cost. All in all, we ended 2009 with an extremely strong balance sheet, positioning us very well for our planned increase in share repurchases to a range of $3.5 billion to $4 billion in 2010.

Page seven provides a comparative analysis of fourth quarter and year-to-date operating income and GAAP combined ratios. Net favorable prior year reserve development was $328 million after-tax in the current quarter, compared to $189 million in the prior year quarter as all three of our business segments once again experienced favorable development.

While there were no cats in the quarter, we did experience a very modest increase in estimated cat losses related to several storms that occurred earlier in the year. This in contrast to the benefit we recorded in the prior year quarter from a reduction in loss estimates related to hurricanes that had occurred earlier that year.

Also impacting the current quarter, was a $52 million after-tax net benefit from the favorable re-estimation of current year loss ratios, primarily in BI due to better than expected frequency trends. So overall, we're very pleased with our 2009 underwriting performance.

Net investment income of $653 million after-tax is shown on page eight, was up $215 million from the prior year quarter due to a dramatic turnaround in non-fixed income performance. The 7% yield on our non-fixed income portfolio in the current quarter, which was driven by much stronger private equity and hedge fund performance, compared to a negative 14.9% in the prior year quarter, the height of the financial market turmoil.

While the 20 basis points after-tax yield on our short term portfolio was considerably lower than the prior year quarter due to the lower rates, the long term fixed-income portfolio's after-tax yield remained constant at 3.7%. As shown on page nine of the webcast, we achieved a 14% operating return on equity for full year 2009, up from 12.4% in the prior year.

Fixed income NII, less interest on our corporate debt, what we refer to as the passage of time component, contributed 8.3 points for the year, down slightly from 2008 due to the lower short term interest rates. Non-fixed income NII, a much smaller contributor to operating ROE, rebounded somewhat from its 2008 level contributing a slightly negative 0.1 points, while the contribution from underwriting income also improved to 5.8 points due to more normal cat losses.

Consistent with information we shared with you in recent quarter's full year operating ROE was negatively impacted by abnormally low yields on non-fixed income and short term investments. Year-to-date, the non-fixed income portfolio yielded a negative 0.6% after-tax, rather than what we considered to be a more normal level of positive 7% and short term rates averaged 0.3% after-tax rather than a more normal level of say 2.5%.

Had these investments performed at more normal levels, 2009 full year operating ROE would have been approximately 150 basis points higher. All in all, cumulatively from 2005, we produced an average annual ROE of approximately 14.4% consistent with our stated longer term goal of mid-teens ROE.

Brian is now going to provide more in-depth information about our quarterly results.

Brian MacLean

Thanks, Jay. Turning to the business insurance segment on slide 10, operating earnings were up significantly in the quarter due to improved underwriting results and higher net investment income. The underwriting improvement was driven by increased favorable prior year reserve development and a re-estimation of the current year loss ratio due to overall frequency and commercial auto liability severity both being better than expectations.

The combined ratio net of these items and catastrophe losses were up 1.8 points quarter-over-quarter, which is primarily the margin compression we've been speaking about throughout 2009. For the full year, the adjusted combined ratio was essentially unchanged as the margin compression was offset by lower large losses and less non-cat weather losses.

Net written premiums are down 9% for the quarter and 3% for the year. This is the result of the impact of the economy on our insureds and the next two slides are intended to illustrate how we think about that impact on our written premiums. Slide 11 takes our full year 2008 net written premium and walks through how much of that business we retain and how much new business we wrote. It then measures the change in premium resulting from the increased or decreased in our insureds exposures.

In other words, did the accounts we wrote have payrolls, business receipts, vehicles owned, etc., going up or down? So working the slide from left to right, we have full year 2008 net written premium of $11.22

billion. This is essentially the business that was up for renewal in 2009, and we retained 82% of that. For those of you that might be looking for rate on renewed accounts, it was essentially flat for the year.

We then wrote new business of $2.2 billion, or 20% of the previous year's net written premium. So if the insureds exposures for all of 2008 remained constant, we would have grown premiums by 2%. Obviously, these exposures don't stay constant and, in fact, during most years, they are increasing as the economy expands. We see this in a few different ways, through renewal premium increases as a result of greater insurable values or through audit premium.

As many of you know, we go through an audit process in our commercial business and adjust our premiums charged to reflect changes in insureds payrolls, vehicles, property values, etc., but in 2009, the economy didn't expand and the slide shows the impact. First, the premium changes due to reduced exposures on renewed accounts had a 2% negative impact.

In addition, a reduction in audit premium and increased cancellation and endorsement changes resulting from business failures or reduced coverage needs further reduced premiums by 3%. So a long winded, but hopefully clear way of saying that our premiums went from 2% growth to 3% contraction, because our customers' businesses shrunk and, accordingly, they needed less insurance.

The next slide walks through the same analysis for the fourth quarter, and you can see the negative economic impact is even greater driven significantly by audit premium. Since we are auditing accounts, we wrote a full year ago, it makes sense that this dynamic would have worsened over the course of 2009. Similarly, as we look into 2010, it's logical that the drag will continue through the next few quarters reflecting the economic environment of early 2009.

Since we are not economists, we don't want to start projecting this too far into the future, but if the economy did hit bottom in early 2009, we should see some marginal improvement in these metrics by mid to late 2010. So a lot of words to explain a pretty basic concept, the results are what they are and the economic impact on our insureds is real, but, importantly, given our solid retention, rate and new business dynamics, when the economy does begin to rebound we're positioned to see some very healthy organic growth.

Now before I get into the production statistics, let me take a minute to make clear what we mean when we talk about positive renewal rate change. Every quarter we show you several graphs with premium, rate and exposure change. On slide 13, we've tried to very simply portray, that when we say positive rate change, we mean a true rate increase, not just a smaller decrease. Obviously, less negative is better, but it is not adding to premiums and for the last three quarters all three of our segments have been in the green.

Turning to the production statistics on slide 14, overall retention remains high with a stable trend in select accounts and other business insurance and a modest decline in commercial or middle market business. The total price change is significantly better than the prior year quarter, while versus last quarter Select was up slightly and Commercial Accounts and Other Business Insurance were down slightly.

We believe that these results continue to demonstrate successful execution on our competitive advantages and capabilities in the marketplace. The next page takes the renewal premium change data and splits it into its two primary components, pure rate and exposure change. Across all of business insurance and in each of these individual businesses rate is positive. As we just talked about, overall exposure is declining as a result of the economic environment, so total price change is a slight negative.

Select Accounts is still getting positive exposure change in its renewal premium. This is primarily a result of higher insured values on commercial properties. So in Business Insurance, we have now been talking for three consecutive quarters about the positive rate change, and we are well aware that this is somewhat inconsistent with the broader marketplace view of pricing.

On the next slide, we took the rate change in Business Insurance and showed it in total and by our five major product lines. While the degree of this change varies for each line of business due to both the initial profitability and market conditions, it is important to note that our composite positive change is not being disproportionately driven by one or two lines of business and as a result, we believe the improvement is more sustainable.

So we continue to be encouraged that we are getting rate improvement in our commercial business and to give you some further insight into our mood as we head into 2010, slide 17 shows our preliminary look at the rate change within commercial accounts for the month of January.

I want to point out that I am just talking about commercial accounts that other business units may not be as positive and we never want to overemphasize the importance of one month's results, but given that January is the largest month of the year for commercial accounts, we felt that our ability to continue to get positive rate here was particularly noteworthy. Recognize that these statistics are not fully developed and are subject to change, but we do believe they demonstrate the sustainability of our competitive advantages in the market.

2009, new business results shown on the next page or up 2% quarter-over-quarter, in Select Accounts, we have less new business for this period. This is a direct result of our conscious decision to get some rate in those products, where it is needed and increased competition within the large end of the Select business. The Select Express product, which is our no touch insurance solution for small business customers, continues to produce strong new business results driven by a historically high flow of new business opportunity.

We continue to see significant increases in the flow of new opportunities in commercial accounts and other Business Insurance. As we have discussed in the past, we are maintaining our strategic underwriting focus and accordingly, our hit ratios have come down, but we are extremely pleased with the new business results for the quarter, although we continue to see the effects of the economic downturn in a majority of our businesses.

We remain very pleased with our effective execution, position in the marketplace and results this quarter and for the full year. We firmly believe that as the economy stabilizes and eventually improves our competitive advantages, our breadth of product, industry leading metrics, point of sale capabilities and leadership position with independent agents will continue to matter and differentiate us in the marketplace resulting in both continued growth and profitability.

Moving to the Financial, Professional & International Insurance segment, slide 19, operating earnings in the quarter were up $40 million driven by favorable prior year development in a number of different businesses and increased net investment income. This was partially offset by losses on a non-renewed professional liability program in Ireland, which resulted in the increase in the adjusted GAAP combined ratio for the quarter.

For the full year, the adjusted combined ratio was up just slightly as margins generally continued to hold steady. Net written premiums for the segment, after adjusting for the impact of the changes in foreign exchange rates, were down slightly for the quarter about 1% and the full year of about 2%. The largest driver of the year-over-year change is the impact of the economy on surety volume.

Turning to the production statistics on slide seven and starting with surety. For the fourth quarter, we did see quarter-over-quarter growth in the construction surety book of business driven by activity in our large national accounts market within our surety business.

However, fewer construction surety opportunities continue to exist in the marketplace and as a result we do not see this quarter's results representative of a larger macro trend. Given market conditions we continue to feel very good about the top line story in this business, the credit quality of our book of business and our market position going forward.

Quarter-over-quarter retention and new business and management liability was down as a result of our underwriting initiatives and continued to focus on getting rate where we need it. Renewal premium change decreased to minus 1%, but the pure rate change was at plus 2%. The rate improvement was offset by other renewal price change at minus 3%. The other RPC was impacted by a combination of interventional underwriting actions and the impact of the economy on exposures.

In our international business, retention was down marginally versus the prior year quarter, renewal premium change was slightly positive with underlying rate improvement at 3%. New business is down modestly compared to the prior year quarter as intentional underwriting actions in the United Kingdom and Lloyds were partially offset by continued growth in personal lines products in Ireland.

We continue to monitor the analysis on impacts of the financial marketplace disruption on our management liability business, which we have shared with you over the past couple of years and our conclusions remain the same. Our current loss estimates continue to be within our planned expectations.

So, overall for the segment our consistent focus on strategic underwriting actions has resulted in some intentional rate and growth variations by product within Financial, Professional & International. We're very pleased with these results and continue to be encouraged by both our top line performance and underlying profitability within this book of business, particularly in light of the difficult economic conditions.

Turning to slide 21 and Personal Insurance, both the auto and property businesses continued to perform well given the current economic environment. Full year operating earnings were up 29% year-over-year driven by lower catastrophe weather related losses in the current year.

While we did not encounter an event the size of Hurricane Ike in the current year, we did have catastrophe losses that were consistent with our 2009 expectations. Additionally, non-catastrophe weather was active throughout the year and marginally exceeded our expectations.

Moving to the quarter, operating earnings are down slightly from the same period last year due to less prior year favorable development and a reduction to Hurricane Ike's estimate in the fourth quarter of 2008 and the late development of auto claims at year end 2008.

Agency net written premiums, which exclude any premiums attributable to our recently announced direct-to-consumer initiative, are up 2% compared to the prior year, byline automobile premiums are down 1% due to lower policy growth, which we attribute to our pricing discipline, and property premiums are up 6% compared to the prior year resulting from strong renewal pricing and new business growth.

Looking at slide 22, Agency Auto's combined ratio of 100.9% was higher than fourth quarter 2008 primarily due to the timing of 2008 weather related losses. Specifically, during the last few weeks of '08, we experienced heavy weather activity and those losses developed into early 2009. If we strip out this noise and take into consideration the expected fourth-quarter seasonality, we believe our auto product is achieving margin improvement due to our local and disciplined rate actions more than offsetting current loss trends.

Agency Property's combined ratio when adjusted for cats was 76.6%, two points higher than the fourth quarter 2008. Like the rest of the industry, we are seeing some loss cost pressures on our property book primarily driven by the year-over-year increases in the cost of labor and materials associated with weather related losses.

Turning to slide 23, we continue to be pleased with our Agency Auto production results, especially in light of current market conditions. While policies in force are down, retention is flat compared to prior year quarter with continued positive renewal premium change. Overall we feel good about our new business production as we see the decline we experienced in previous quarters flattening out.

We remain pleased with our Agency Property production results for this quarter. In spite of the difficult housing market all of our production metrics improved compared to the same prior year period, retention, renewal premium change and PIF growth remains at two year highs and new business is up 20% compared to the same quarter last year. It's also important to note that we have achieved these production results with a combined ratio that is significantly below the industry average.

So overall a great quarter, record net earnings and earnings per diluted share and given the economic environment, solid top line performance, but we believe that these results are less about the near term economic or insurance marketplace conditions and more about the long term capabilities and competitive advantages we've built.

These capabilities are sustainable and we will continue to differentiate ourselves to our independent agents, customers and brokers through the products and services we provide. So we feel great about the short term, but we are just as bullish about our long term position in our marketplace.

Now let me turn it back to Jay Benet.

Jay Benet

Thanks, Brian. Pages 24 and 25 set forth our guidance for 2010 along with certain supporting information. We're projecting fully diluted operating income per share in the range of $5.20 to $5.55, which in round numbers should translate into an operating return on equity of approximately 11%.

Our guidance assumes cat losses of $390 million after tax or $0.80 per diluted share, an increase from the guidance provided in prior years due to growth in our homeowners business. No estimates of prior year reserve development, either favorable or unfavorable, a low single digit change in average invested assets ex-unrealized gains and losses, share repurchases in the range of $3.5 billion to $4 billion and a weighted average diluted share count after share repurchases and employee equity awards in the range of $485 million to $490 million shares.
We thank you for listening and now welcome any question you might have.

Question and Answer

Operator

(Operator Instructions) Your first question comes from Cliff Gallant - KBW.

Cliff Gallant
KBW

The first question was about the reserve release for the current accident year 2009. I think you mentioned that was commercial auto severity. I'd like to hear a little bit more about what exactly you saw that gave you the confidence release so early and I guess, how should I think about how that will impact your ability to release reserves in calendar year 2010?

My second question was just sort of a bigger picture. You talked a little bit in your prepared remarks about the drag from the economy and that if we had bottomed you expected to see maybe start to see signs mid-year. Can you talk a little bit about what that drag is how much of a lag effect do you expect the property casualty industry to see between the economy bottoming and seeing a rebound for the industry?

Brian MacLean

Okay, this is Brian. Let me take a shot at that and then, on the first point it was both the commercial auto liability piece and frequency really across the commercial book. Pretty much in most of our commercial products we're seeing, and continue to see, favorable frequency trends.

We obviously watch those every quarter and try to bake into our current loss picks our best estimate of where those are going, but throughout 2009 those continue to develop favorably and so we did make an adjustment for that in the fourth quarter as well as the auto liability piece, which we've just been seeing some good results in. So those are the pieces.

Jay Fishman

What occurred in 2009 really will bear no impact in the context of reserve development for 2010. This was a re-estimation of current year losses and is not actually an adjustment to prior period development at all. On the second question of exposure Brian and I will tag team this a little bit.

First, there is a settle but unmeasurable dynamic that occurs, which is the amount of new business that we would do, or any insurer does, is actually already exposure adjusted from previous periods. If a new business account had a payroll of $1 million three years ago it would have driven workers comp premium of X; if that payroll is now down to $900,000 it will be 90% of X.

So there's an unmeasurable, because obviously we didn't have the account previously, an unmeasurable element of new business that is already reflecting the drag in the economy. Then there's the second and very quantifiable and measurable dynamic of auto premium adjustments and exposure drops and Brian, why don't you speak to that?

Brian MacLean

Yes and so, as I was trying to say in the comments, and as many of, we audit our commercial business. We write the business on a given day and then in that there is an assumption of what the exposure is going to be, whether that's payroll or receipts or whatever and at the end of the policy we audit that and adjust the premium charge accordingly. In the vast majority of times that's usually a significant positive number, fairly significant as in can be 3% to 5% overtime and in this environment that's really closer to zero.

One of the settle dynamics when you start thinking of going forward into 2010 is that right now in the fourth quarter of ‘09 we were auditing accounts that we had written in fourth quarter of ‘08 and obviously first quarter we'll be doing the first quarter of ‘09. So the economy was bottoming much more than we had expected when we wrote this business, so you'd expect the audit premium to be down dramatically.

Jay Fishman

It certainly much more than the accounts themselves expected as well. These are all factors that are estimated at the time the premium is established and the change in the economy was I think more dramatic than many of our accounts expected it would be.

Brian MacLean

So as the economy rebounds that will help that dynamic and it will obviously help exposures on renewal accounts, but the other thing that's going on that could actually make it in audit premium rebound much quicker is that you have to think of the business that we wrote last year in the second quarter and the third quarter; our customers have probably had a pretty pessimistic view of what their exposures would be going forward. So this is really measuring how much the economy has recovered versus their expectations and that could actually be a little bit better than expected. So, we'll watch it throughout 2010 and see where it goes.

Jay Fishman

So to answer, I wanted to good question, there will be a lag, but it will be interesting to watch the extent to which the accounts anticipated deterioration of the economy and either it will continue at a similar pace or begin to bottom out. It's very difficult for us to really assess that at the moment.

Operator

Your next question comes from Brian Meredith - UBS.

Brian Meredith
UBS

A couple questions here for you. First, could you talk about loss cost trends, what's happening with loss cost trends in the commercial lines of business and specifically if you're getting these rate changes you're seeing right now, it should we expect your combined ratios here in 2010 to flatten out or even start going down?

Jay Fishman

Well, first, I'd say generally speaking that the trends that we have been seeing for a while now certainly I think all of 2009. We've characterized them generally as been '09; it's still the case there really hasn't been any significant change in any of the loss dynamics in any serious way and obviously this is all very predictive and meaning we're guessing to a great extent, but if you roll out the rate increases that we are at least planning for, hoping for and compare that to the loss trends that we're expecting, what you would see in the loss and LAE ratio, that component of combined ratio would be modest, really quite modest deterioration. We are not anticipating that that will go down, but what we see at this point and what's imbedded in our guidance would be a very modest deterioration in the loss and LAE component.

Brian Meredith
UBS

Is that because of the impact of new business?

Brian MacLean

Not exclusively, Brian. I mean, we obviously look at new business pricing and factor that into our loss ratio assumption.

Jay Fishman

It's really the gap. It's driven largely by, again the gap between loss trend and rate gain, and notwithstanding the fact that rate gain is positive.

Now the second part of the question is, is overall loss trend higher or lower than that and the answer if you take the first part of my answer here what really communicates underneath is it that the loss trend is slightly and again we are aggregating everything lots of lines, lots of different businesses, lots of pluses and minuses all over, but in the aggregate loss trend is just slightly outstripping what we anticipate rate gain will be and this is, of course, on an earned basis not on a written basis because you are asking about the P&L for 2010. So we are not talking about written premium, we're talking about earned premium in the period.

Brian Meredith
UBS

Then the last question, Jay, given the current investment yield environment and obviously your guidance coming out to about 11% ROE, are you satisfied with 11% ROE given where investment yields are? Is it really possible to get a much better return on equity in this environment?

Jay Fishman

Well, it's sort of the million dollar question, I think. In its simplest form, if someone tells me that, rate will never change from here, loss trend will never change, and investment yields will never change is it possible to get back to a mid-teens return on equity? It's pretty hard to do it. I'm satisfied that given all of the risks inherent in our business that we're deploying capital very, very thoughtfully, that we are investing with a great sense of sophistication and with a healthy regard for the fact that there's still maybe difficult times ahead.

We are not of the mindset here from an investment profile that it's time to step down and change the profile in any serious way. I'm working from memory here, but I was looking at spreads just yesterday and my recollection is that the difference right now between AAA and BBB, in effect, are actually no wider than they were two years ago. That round numbers it was about 111 basis points and that's about where the spreads existed before the financial crisis emerged.

So you'd ask yourself the question of whether redeploying into higher risk assets at this point really, are you being paid for it. Are you being paid for taking that risk? Our assessment is that, you're not and that we'd rather continue to do what we're doing. So all things considered I am very pleased with how we're producing at an 11% return on equity given where we are, but that shouldn't be read by any investor that becomes our target or that we are satisfied with it.

We are hopeful that conditions in the insurance arena or in the investment arena will change and allow us more quickly to get back towards that mid-teens return on equity that we aspire to. Bill, was there anything on the investment front you want to add?

Bill Heyman

I wouldn't add anything to that except to say that probably what got us this far is realism in accepting some variant of whatever ambient yields are and not trying to reach.

Operator

Your next question comes from Jay Cohen - Bank of America/Merrill Lynch.

Jay Cohen
Bank of America/Merrill Lynch

Two questions, the first is on the personal auto business combined ratio, about 100% at this point short tail business. One would suspect that the returns on that business are not terribly acceptable at this point. I'm wondering, what sense of urgency you have to improve those margins?

Greg Toczydlowski

Jay, first of all we're looking at our automobile portfolio constantly across all the programs in the quarterly level. The fourth quarter, we do see a seasonality impact on our automobile book based on a predominant amount of our premium being in the Northeast dwell. So we look at the overall full year combined ratio for the automobile business being in…

Jay Fishman

That's loss seasonality, meaning the fourth quarter; given the weather patterns we experience loss seasonality in the fourth quarter. Sorry, I just wanted to…

Greg Toczydlowski

No, absolutely. And, Brian MacLean did reference that, we saw that also in 2008, some of that loss development leaked into 2009. So that's been a pretty constant phenomenon inside the Personal Insurance business, but again, we feel terrific about the margins when we look at a full year basis, and where loss trend is and where our rate position is going forward right now.

Jay Cohen
Bank of America/Merrill Lynch

Jay, then on a full year basis, which was almost 99, that to you guys is okay at this point?

Greg Toczydlowski

We are looking to improve that. I think in Brian's comments, he talked about some of the loss trend in rate level. You can see our RPC for the portfolio running in the 3% range, which is outpacing some of the loss trends, so going forward, again based on what we're seeing today, we do believe we'll be expanding that position.

Jay Fishman

Let me clarify a little, because it's actually a topic that we spent some time yesterday just discussing. First, you know, Jay, that we talk about an acceptable range of returns and that we drive those returns down to individual businesses and individual product lines. What we'd share with you is that personal auto, even at these levels, remains at the bottom of the acceptable return range.

So if you're asking very specifically, is it in the range, is it below? The answer is it's at the bottom of the acceptable range. We clearly have a focus on driving those returns up and we're going to do it, as we do everything, where rates need it more than some areas more than others, where our competitive strengths reside and so our goal is to thoughtfully and slowly continue to drive those returns back up more into the center of that acceptable range.

Jay Cohen
Bank of America/Merrill Lynch

The second question is on the guidance. I guess if you took 2009, and you made the adjustments, which you highlight on page 25, it looks like at the low end of the 2010 guidance, you're talking roughly 15% EPS growth, which from what I can see is mostly just share count coming down. What would account for the higher end of the guidance? What would have to happen for you guys to be up in the 550 range?

Jay Benet

I think if you look closely at this, you'll see that the impact of the share repurchases is very dramatic. So I think in terms of taking a look at the size of some of these items, backing them out of the $6.29 and then using our guidance for what the share counts are in terms of next year versus what they were, I think you'll see the math just kind of gets you into this range.

The difficulty we have is that, in coming up with a range for the years you've got various things that are going to impact the overall results. One being what's the performance of the non-fixed income portfolio, you've got weather that's not cat related that will lead to variations, so at this point in time, we just look at this range as being one that historically fits with the kind of results that we've shown and the variations in those results.

Jay Cohen
Bank of America/Merrill Lynch

So I guess your initial point was that, the variation in the buyback, the $3.5 billion to $4 billion accounts for at least a decent part of the variation in your EPS forecast as well?

Jay Benet

A piece of that, but I think these other things that when you look at the impact of, again, non-cat related weather, how much we're going to have as a return associated with the non-fixed income portfolio, these are things that will lead to these kinds of levels of variation.

Jay Fishman

It's not in the context of a full year out, it's a $0.35 range and really not particularly wide in the context of the business running from $5.20 to $5.55. So it's, in all things considered really, a fairly narrow range and experience would suggest that once you exclude favorable reserve development and cat losses and the rest, that the principle variable that is so hard to estimate is investment income. That's where you can get meaningful differences.

Operator

Your next question comes from Jay Gelb - Barclays Capital.

Jay Gelb
Barclays Capital

I was hoping you could broadly address the issues of inflation and interest rate risk on both sides out the balance sheet and then specifically, it will probably be in the 10-K, but if you can give us a sense of what a one percentage point shift in the yield curve on a parallel basis, what would that do to book value?

Jay Fishman

Let me start off, Jay, with just speaking about the insurance side and then I'll ask Bill to comment about the investments. We actually gave information maybe two quarters ago, perhaps three, on the duration of our liabilities. If you go back, we can certainly provide you another copy of that. One of the things that I think surprised lots of folks is that the duration of our liabilities was actually considerably shorter than most outside people seem to believe.

So, as you speak about this obviously, the short tail lines, where inflation is less of a near term concern, and then you've got longer tail lines, which is workers comp where we worry about medical inflation and general liability where we worry about tort inflation. Observation would be again that the duration even of those liabilities is actually somewhat shorter than most people believe and again, happy to provide a copy of that to you.

Having said that, inflation in and of itself is a really complex issue. You start getting into not just loss trends, but what does it mean for investment yields, what about new money, what about the ability to redeploy out of the investment portfolio. There is no simple answer.

It's certainly a more challenging environment from an insurance perspective than one where loss costs are not subject to that kind of inflation, but we'll pull back together the information that we had on duration and maybe that will be helpful to you at least in trying to get a sense of what that would mean for us?

Bill Heyman

On the asset side of the balance sheet, we mathematically divide the portfolio into two portfolios, a reserve portfolio which we see with our insurance liability and a surplus portfolio, which is the mathematical remainder and we never want the duration of the surplus portfolio to be under zero, which is a mathematical number it can be.

Right now, our duration is on the shorter side and we intend to keep it that way. It's about four, so just doing the math from horseback, I wouldn't want to be held to it, but a four duration on a $70 billion portfolio with a 100 basis point move is about $2.8 billion pretax or after tax is maybe $3.00 a share book value and we watch durations pretty carefully to try to balance the interest rate risk with the need for some yield. The one constant through it all is we think it's more important than ever to have high credit quality.

Jay Gelb
Barclays Capital

Then a separate issue, Jay, could you talk about trends in new business pricing, what you're seeing from a competitive front?

Jay Fishman

I'll ask Brian to comment more specifically, but I would share with you that while we stay really a turned to the marketplace and obviously there's more than one marketplace, it's regional, its product, and its market segment. We're just not going to comment on any other competitor or what their approach is, but I can certainly have Brian, speak more generally about the pricing for new business in a general context.

Brian MacLean

I mean broadly speaking in the commercial middle market, because small commercial has got a different dynamic than what's going on in the middle and large accounts is another world. As we've been saying for quite a while, we've been doing a lot of things with our franchise and our capabilities that have driven dramatically more flow.

So we've been able to see a lot, lot more opportunity. The new business and we track very closely, like good companies should, our new business pricing relative to our renewal legacy book and feel that those deltas have remained pretty constant over the last couple of years.

Now again, we're continuing to look at more and more opportunities. So I think we've got a selection advantage. Our hit ratios, as we've talked about have kind of consistently come down, not dramatically, but gradually. So I think the market probably is getting more competitive. I think in our pricing, we feel very good about where we are and broad statement, but our pricing continues to be inline with what we would want to get the return targets that we hold out.

Jay Fishman

That's actually, I think the important element. One, it's measurable. We have the ability. Again, every bit of data in our business is fundamentally fragile and always somewhat flawed because you're trying to make interpretations to broad amounts of data, but nonetheless, it is measurable, we discuss it and we adjust it.

We actually do, we don't have a price list, but we do speak to field folks all the time and ask them to either become more aggressive or less aggressive, it varies by region and it varies even down to the product. This is not seat-of-the-pants management, its management by the number and by the data and there have been times in 2009, where we approached the market more aggressively and there have been times where we approached it less aggressively and if one were to see the data you would actually see the differences.

It is measurable and it is adjustable. We're always trying to push it as hard as we can, not so hard as to find ourselves taking on business at pricing that we don't think can get us to acceptable target levels, but pushing always as hard as we can to get in effect to the edge and that's an expression that we use internally all the time.

Brian MacLean

The other thing we do in a very disciplined fashion is we look at the actual performance of the new business we write over the next couple of years and we continue to feel good about those metrics. So the marketplace, again more competitive, I would say, yes. I think we've got the benefit of being able to look at more and more opportunities.

Jay Fishman

Jay, while we were answering your other questions, we were able to get the duration information that we had put out previously. Jay's got it here.

Jay Benet

In the third quarter discussion, we had indicated that for the long tail lines, workers comp and liability, the duration in comp was approximately seven years and liability was approximately six years.

Jay Gelb
Barclays Capital

How much of the overall book would you say long tail versus short tail roughly?

Jay Fishman

We did that too. If you give us a chance to go back and look, we've done that also. I don't want to just say the number off the cuff.

Operator

Your next question comes from Matthew Heimermann - JP Morgan.

Matthew Heimermann
JP Morgan

I guess the first question I have and I know its early days, is in the direct segment. Can you talk a little bit about, what the split is auto versus home? I would presume all autos, but I just wanted to make sure.

Jay Fishman

No, it's actually not all auto. As we talk about direct to consumer, we also include the direct mail business that we've been doing for sometime that gets included in that number and even from the solicitation, the advertising that we do for auto, there's a serious effort in many of these cases to cross sell into home as well and that has been effective. I don't know generally, do have a sense on a new business basis of what the split is?

Greg Toczydlowski

It's more auto than property, but as Jay indicated, that market has a heavy preponderance. We're looking for tenant insurance or we're using the same product portfolio that we are for the agency business. So we have it all available for that particular channel, but it usually starts with an auto, but certainly not only auto.

Matthew Heimermann
JP Morgan

Then I just had a question on workers comp broadly. That's been a line that some people have worried about. It actually seems to have been performing pretty well. Could you talk a little bit about your appetite in the business today and kind of where you might be growing versus contracting? This is normalizing for the economy, which I recognize is a headwind.

Brian MacLean

I mean, first of all and I'll flip this to John Albano. I mean, we talk about local focus in all of our products, but comp is a state-by-state gain. It can be very attractive in one state and very unattractive in another. So our strategy is very geared at that. Broadly speaking, frequency trends have been very, very positive. John, why don't you talk about that?

John Albano

Matthew, this is John Albano. One of the advantages we have in workers compensation is that we have a fairly large workers comp servicing operation that really has been very, very helpful in terms of helping us drive down loss cost for our insures, which is also helpful for us on guaranteed cost business.

Jay Fishman

Matthew, that's predominately our National Accounts business. A meaningful portion of our National Accounts business is workers comp servicing business, where we're not at risk, where we get paid, we're not an insurance risk, but we get paid a fee for managing typically large clients' workers comp exposures on their behalf.

John Albano

So the things that we do from a claim perspective, the things that we do from a risk control perspective, we are very, very proud of and feel that that's a real competitive advantage. It helps us in that business, but like I said, it also helps us in the guaranteed cost business.

If you look at our growth by line, we have been growing in workers compensation. If you look at the rate chart that we had in there, we're getting positive rate in the workers comp line. As Brian said, we look at it very carefully by state and we'll look at rate adequacy by state on a very regular basis, but broadly speaking we feel very positive about our workers comp results.

Matthew Heimermann
JP Morgan

Could you maybe throw out a state or two where you're cautious, a state or two where you are optimistic?

John Albano

From a competitive perspective, I would really prefer not to.

Matthew Heimermann
JP Morgan

Then let me ask the question a different way, because I'm just thinking about it as I look at statutory data for the year end. Recognizing that premium will be affected by exposures this year. Are there any states that you would point out that where you think maybe the premium isn't necessarily indicative of your absolute appetite, but more the economy?

John Albano

The economy impacts us pretty differently by territory and by industry. So you look at the construction industry, for example, or the trucking industry and you see more volatile swings in terms of exposure in those classes of business. So we look at it in a pretty granular way, some of it is by geography; I would suggest to you that there's also at least an equally strong component that impacts us by industry as well and we look at both, but again, for competitive reasons I'd rather not get into the detail of what we see there.

Operator

Your next question comes from Dan Johnson - Citadel.

Dan Johnson
Citadel

Most have been answered, but maybe I can squeeze in two quick ones here. On the agency auto business, can we just talk a little bit more about the rate actions that are being taken? It would be helpful if you could sort of tell us, where you're targeting that business to eventually be on a combined ratio basis? Then I've got one follow-up.

Jay Fishman

I'll answer the latter half and I'll look to someone else to talk about the rate actions, again recognizing that the competitive dynamic here is real important. We've talked for a long time that the targeted returns in all of our businesses, each product, run from 13% to 18%, that's the kind of green zone that we consider where the pricing in the aggregate will ultimately produce individual product returns that will allow us to produce a mid-teens return on equity.

We do have that converted to a combined ratio. My recollection and I'm going from recall here rather than the schedule is that at the upper end it was about 100% at today's investment environment 99.8%, 99.7%, something like that and down at the lower end, do you remember, Greg?

Greg Toczydlowski

Like 97%, so that's kind of the old goal range that we try to keep the automobile portfolio at. Again, to address the rate level conversation, obviously we're regulated at a state level. So we're constantly looking at the rate action, very locally and very segmented, down to a particular program level. So you see the results here, which are in aggregate of all those local decisions and similar to the combined ratio.

So we have a different story across all of the states, but as Jay indicated, we're definitely more towards the right edge of that goalpost and we're working pretty aggressively to put that right down the middle. Based on where our rate actions are in aggregate and the loss trend we feel directionally that's where we're heading.

Jay Fishman

If they get very focused to individual states where, because you can break down the returns right down to individual states and there are some states where we are not at acceptable levels and our pricing actions get very focused on those particular states.

Dan Johnson
Citadel

Then on my follow-up, I mean the inflationary environment or lack of inflationary environment in loss costs across all of P&C has been an enormous contributor to book value growth for not only you guys, but certainly others.

I'd find it helpful if you could maybe point out one or two lines of business where you feel like the loss inflation has been substantially better than one would anticipate and maybe if there are any lines of business where loss inflation hasn't been as good as had been hoped and if you had any thoughts as to why that would be much appreciated?

Jay Fishman

I think Brian and I'll kind of duel on this one. First, and I'll try and answer the question, but I'd make an observation that loss inflation doesn't exist independent of the other levers that we have in the business. Meaning, rate expectations are set by returns and those rate expectations are going to be driven by the loss inflation as well as the investment returns that are embedded in the business.

So they will operate together, so my caution in this is not to somehow come to the conclusion that loss dynamics are independent of any other factor with which we manage the business. First, there's been a significant reduction in frequency in many lines of business insurance over the last at least four or five years and maybe even longer; and there has been an awful lot written about why that's the case, all of it speculative.

There are lots of people who attribute it to a higher degree of respect for insurance, that individuals and businesses have an appreciation for long standing relationships. There actually does seem to be less for what I'll call frivolous claims; I don't mean that in a substantive sense, but less low level claims than we've seen before and that trend has been long term and it's been in effect systemic.

I think that has surprised lots of people in the industry and is one of the reasons why as much favorable reserve development as has happened over the last several years has happened, because you make estimates at the beginning of each year not only about what level of frequency you expect, but also severity. The severity can be absolutely right on, but if the frequency is considerably less then you end up in a situation with favorable development and that's been one of the reasons why the development has been as significant as it's been.

Brian, you've got a view about individual lines?

Brian MacLean

Yes, I mean a couple of specific things. Again, we talk about loss inflation, remember a lot of it is not tied to core inflation rates. Tort environment has a ton to do with where our losses go in a lot of our businesses and it's well documented that that's been a pretty favorable dynamic over a number of years now. So that's been driving through the liability lines.

Medical inflation, which is obviously about 50% of the comp world and affects the other liability lines, has been maybe a little better than what we had expected, not dramatically. The other one that I commented on in going through my talk, in the homeowner side of the business and it's a little counterintuitive given what's gone on in the economy, but the labor and materials to repair weather related losses has spiked up specifically in the homeowner side, to a lesser degree on the commercial property side and we're…

Jay Fishman

Recently; we're talking about a six month phenomenon.

Brian MacLean

Six to nine months, yes and it's been talked about elsewhere in the industry and we and other companies are digging at why that is, and some of it is cost of materials and petroleum cost in shingles, etc. The labor dynamic is a little higher to figure out, but we're working at it. So those that would be an area where it's moved negatively. I would say the tort environment is probably the biggest positive running through the thing.

Jay Fishman

The decline in frequency would be the other.

Brian MacLean

Yes, right, yes.

Jay Fishman

There I don't know that we have any particular insight that's any better than anyone else's, it's not always so clear to us either why it's happened, but it clearly has.

Operator

Your next question comes from Michael Nannizzi - Oppenheimer.

Michael Nannizzi
Oppenheimer

Just a couple questions if I could, more of a macro question. All else equal, when you think about capital management and buybacks in particular, what has more of an impact, the direction of the economy or yields, particularly those at the short end of the curve, and just one follow-up, thanks.

Jay Fishman

I mean, they both do, frankly. If we had the ability, I've always said, we're more than happy to grow our business if there are opportunities to add volumes and do so with pricing that's attractive. If we grow our business organically, we're going to need capital to support it and we'll retain that capital to do so. So that's clearly, that's what we do. So first and foremost, as we have the ability to write more insurance at attractive pricing we sure would do it.

The dynamic of what investment yields are for capital that we retain is also a very important phenomenon. At the margin, a dollar retained is going to get invested in our portfolio at relatively in the context of historically speaking, at relatively low yields and frankly, we're happy to return the capital to investors to let them, if they've got a different view of the world in the investment arena, let them make that decision.

If yields were too suddenly and for some reason spike and spike dramatically, it would become a more interesting decision about what level of capital should be retained and invested and what level we purchase shares. We are all owners, by the way, every level, everybody in management here, of a significant stake in the company. We think about it from that perspective, which is as an owner what would be the right thing to do. So those are both important factors. I don't know how to rank them.

Michael Nannizzi
Oppenheimer

I know absolute yields get a lot of attention, particularly in the disclosures, but what do you think about more? Do you think more yields or do you think more about absolute spreads and is there a difference as you're kind of looking at it?

Bill Heyman

There always is a difference. We think about yield, given the cash flow of the business, we're not really traders of big income securities. Most securities we buy, especially in the municipal portfolio, we expect to hold literally until maturity, which in some cases can be decades. So we're looking for an absolute number, which compensates us for all the risks, which may occur over a pretty long period of time. As Jay said, right now those numbers are on the skinny side and we find things but we have to search carefully.

Jay Fishman

By the way just as an add-on, Bill reminds me all the time, even though you maybe talking about at different times over the past year spreads widening. The widening off historically very low treasuries and so you can get confused sometimes and think that you're actually making really smart investment decisions where from a yield perspective you're actually not. So we do think that very simplistic way.

Operator

Your final question comes from Paul Newsome - Sandler O'Neill Partners.

Paul Newsome
Sandler O'Neill Partners

I didn't hear anything about the direct effort. I was wondering if you had any thoughts of how well that's going.

Jay Fishman

Not very much to say, it's coming, I'd ask you if you've called and gotten a quote. We run our ads, we get people responding, we're booking business, and we're losing money as we thought we would lose money. This is a very long term effort and we have a lot to learn. We're getting up to speed, we're learning as we go, but there really is nothing new to report.

Operator

We'll now turn the conference back to Ms. Nawi, for concluding remarks. Thank you.

Gabriella Nawi

Thank you all for joining us today. I know there were a few others in the queue. You can please give either myself or Andy Hersom a call and hopefully we'll answer all your questions. Thanks again. Have a good day.

Operator
Thank you. Ladies and gentlemen, that does conclude the conference call for today. We thank you all for your participation and ask that you please disconnect. Thank you once again and have a fantastic day.