S&P Global
Market Intelligence

Kinsale Capital Group, Inc. NYSE:KNSL

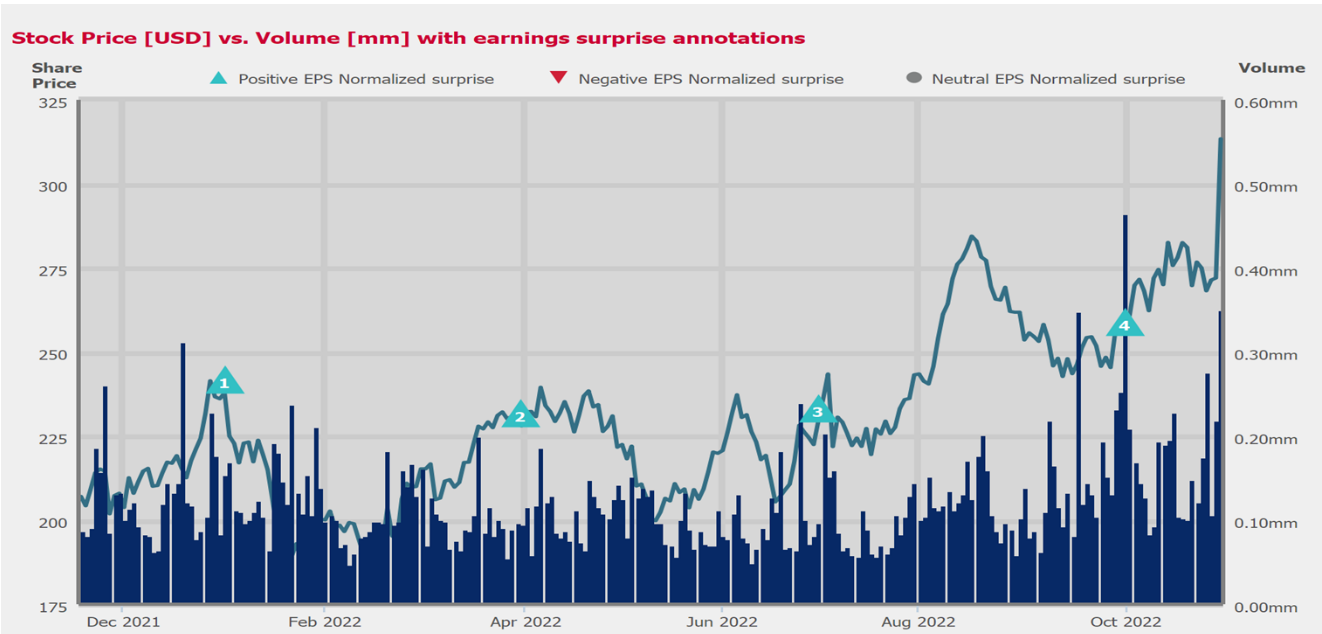
FQ3 2022 Earnings Call Transcripts

Friday, October 28, 2022 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2022-			-FQ4 2022-	-FY 2022-	-FY 2023-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.24	1.64	▲32.26	2.05	7.27	NA
Revenue (mm)	215.33	216.96	▲0.76	236.63	809.45	NA

Currency: USD
Consensus as of Oct-28-2022 9:15 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2021	1.38	1.76	▲1 27.54 %
FQ1 2022	1.52	1.63	▲2 7.24 %
FQ2 2022	1.62	1.92	▲3 18.52 %
FQ3 2022	1.24	1.64	▲4 32.26 %

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Call Participants

EXECUTIVES

Brian Donald Haney
Executive VP & COO

Bryan Paul Petrucelli
Executive VP, CFO & Treasurer

Michael Patrick Kehoe
President, CEO & Director

ANALYSTS

Casey Jay Alexander
Compass Point Research & Trading, LLC, Research Division

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Pablo Augusto Serrano Singzon
JPMorgan Chase & Co, Research Division

Scott Gregory Heleniak
RBC Capital Markets, Research Division

Presentation

Operator

Hello, and thank you for standing by. My name is Regina, and I will be your conference operator today. At this time, I would like to welcome everyone to Kinsale Capital Group, Inc. Third Quarter 2022 Earnings Conference Call. [Operator Instructions]. Before we get started, let me remind everyone that through the course of the teleconference, Kinsale's management may make comments that reflect their intentions, beliefs and expectations for the future. As always, these forward-looking statements are subject to certain risk factors, which could cause actual results to differ materially.

These risk factors are listed in the company's various SEC filings, including the 2021 annual report on Form 10-K, which should be reviewed carefully. The company has furnished a Form 8-K with the Securities and Exchange Commission that contains the press release announcing its third quarter results. Kinsale's management may also reference certain non-GAAP financial measures in the call today. A reconciliation of GAAP to these measures can be found in the press release, which is available on the company's website at www.kinsalecapitalgroup.com.

I will now turn the conference over to Kinsale's President and CEO, Mr. Michael Kehoe.

Michael Patrick Kehoe
President, CEO & Director

Thank you, operator, and good morning, everyone. Bryan Petrucelli, Kinsale's CFO; and Brian Haney, Kinsale's COO, are joining me this morning. Our third quarter conference call will follow our usual format. Each of us will make a few comments, and then we'll move on to any questions you may have. Kinsale's operating earnings for the third quarter 2022 increased by 3.3% over the same quarter in 2021. The gross written premium was up 44% for the quarter. The company posted an 83.6% combined ratio for the quarter and an 80% combined ratio for the 9 months. The annualized operating ROE for the first 9 months of the year was 24.3%.

The previously mentioned 3.3% growth in operating earnings was more muted than recent history because of losses from Hurricane Ian in Southwest Florida. So a few comments on Kinsale's property insurance strategy and Hurricane Ian. Through 9 months of 2022, Kinsale's premium was split about 21% property and 79% casualty. For comparison purposes, the overall E&S market is about 1/3 property, 2/3 casualty. Slightly less than half of that 21% property premium has some sort of exposure to hurricane losses. The balance does not. Kinsale rates catastrophe-exposed property business because the profit margins are compelling.

We are mindful, however, of the volatility associated with this type of business and use a variety of strategies to control it, specifically a disciplined underwriting approach, regular modeling of individual risks and the property portfolio, limits on the concentration of business and a robust reinsurance program. Regarding Hurricane Ian, in particular, our gross loss is estimated at $67.5 million, and our net after-tax loss is $20.6 million. About 80% of these gross losses arose from our modestly sized book of personal lines business. And as this amount exceeded some of our underwriting and pricing assumptions we're making a variety of adjustments to reduce volatility in this area with about 20% of our gross loss from Ian coming from our commercial lines book, this book significantly outperformed our underwriting and pricing expectations, which, of course, is encouraging.

Beyond Hurricane Ian, the quarter was a continuation of the trends we have experienced over the last several years, a relatively hard market with a strong growth in submissions, strong top line growth in premium and favorable profit margins on our underwriting. This strong business performance, combined with Kinsale's low-cost operating model allowed us to absorb the storm losses and still produce a quarterly sub 84% combined ratio and a 9-month operating ROE above 20%.

We continue to raise rates above loss cost trend in the quarter, and we continue to establish reserves for future losses in a conservative fashion. This, combined with the unique nature of our business model should provide our investors with confidence in our balance sheet and our prospects for future growth and profitability. We continue to have an optimistic outlook for the E&S market for the balance of 2022 and for 2023. Beyond next year, our view of the market becomes a little bit less certain, but with our model of disciplined underwriting and technology-driven low costs, we expect to grow our business, take market share from less efficient competitors and produce best-in-class returns for the foreseeable future under any market conditions. And now I'll turn the call over to Bryan Petrucelli.

Bryan Paul Petrucelli
Executive VP, CFO & Treasurer

Thanks, Mike. Again, just another really strong quarter from an operating income perspective, even in light of cat losses from Ian. Although net income was down around 9.9% compared to Q3 2021 as a result of the higher cat activity and a decline in the fair value of our equity investments during the quarter. Operating earnings, which excludes the impact from fluctuations in equity values, did increase by approximately 3.3% over the same period last year. The 83.6% combined ratio for the quarter included 5.3 points from net favorable prior year loss reserve development compared to 5.9 points last year, and cat losses contributed 12.5 points this quarter compared to 3.8 points last year.

With respect to expenses, we continue to achieve some economies of scale as our earned premium continues to grow at a faster clip than our operating expenses as reflected in the 19.2% expense ratio that we reported for Q3 of this year compared to 20% last year. A portion of this decrease related to slightly lower relative variable compensation given the higher cat activity this year. Additionally, we entered into a quota share reinsurance agreement on our commercial property business at June 1 of this year that includes some ceding commission that did not exist last year and shows up as a reduction to our commission expense.

Book value decreased by 2.3% in the quarter, primarily due to unrealized losses on our investment portfolio as a result of higher interest rates and volatility in the equity markets. The company continues to generate strong positive operating cash flows, which gives us the ability to hold these securities to maturity and the higher interest rate environment allows us to invest new money at better yields. We're investing new money in shorter duration securities with new money yields averaging close to 5% during the quarter. and duration has decreased to 3.9 years, down from 4.3 years at the end of 2021.

Net investment income increased by 71% over the third quarter last year as a result of continued growth in the investment portfolio and as we start to recognize some effects from the higher interest rate environment. And lastly, diluted operating earnings per share was $1.92 per share for the quarter compared to $1.28 per share last year. And with that, I'll pass it over to Brian Haney.

Brian Donald Haney
Executive VP & COO

Thanks, Bryan. As mentioned earlier, premium grew 44% in the third quarter, largely consistent with the first 2 quarters. Overall, the E&S market remains favorable with strong growth across most of our product line. Property market continues to be hard and in the wake of Hurricane Ian we expect contraction in industry capacity, which will prolong the hard market. In addition to our property divisions, we are seeing continued strong growth across most of our casualty divisions, our energy, general casualty and entertainment divisions in particular, have been growing at a significant pace. Submission growth continues to be strong, a little over 20%, which represents a slight acceleration from the first 2 quarters.

We sell a wide array of products, and the rates on those products don't move in lock set. But if we boil it all down to one number, we see real rates being up around 8% in the aggregate during the third quarter. Hurricane Ian happened late in the quarter, so we haven't seen any rate effects from it yet, but we believe it will lead to further firming in the property market and perhaps in the overall market as well as reinsurers and other capital providers tolerance for loss wanes. We are continuing to keep an eye on inflation.

We feel we're in a good position because we have been achieving rate increases ahead of loss cost trend for several years now. These increases, combined with our strategy of conservative reserving further protects the company from the threat of inflation that some of our peers may be more exposed to. The market conditions are generally favorable across the board. We do see a proliferation of MGAs and other delegated underwriting authority arrangements. We do not delegate underwriting authority ourselves, but virtually all our competitors do.

Although there are certainly some well-managed MGAs in the market, we consider this dramatic proliferation to be a harbinger of undisciplined market behavior to come in the long run in the form of overly aggressive pricing and lax underwriting. But at this point, it is not affecting the market much because many of the new entrants are just beginning to ramp up and because MGAs typically rely heavily on reinsurers, whose enthusiasm for aggressive expansion will be curved by their significant losses in Hurricane Ian.

As for Kinsale, the fact that we are able to deliver results like these, even with a significant catastrophe in the quarter is a testament to the hard work of our people and the soundness of our business plan. Our disciplined underwriting and technology-enabled low costs have allowed us to deliver superior returns to our investors, even in a difficult quarter for the industry. And with that, I'll hand it back over to Mike.

Bryan Paul Petrucelli
Executive VP, CFO & Treasurer

Just one correction. The diluted operating earnings per share for the quarter was actually $1.64 per share.

Michael Patrick Kehoe

President, CEO & Director
Okay. Operator, we're ready for any questions that come in.

Question and Answer

Operator

[Operator Instructions] Our first question will come from the line of Mark Hughes with Truist Securities.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

The ceded premium ratio was up a bit in the quarter. You had mentioned you entered into a quota share June 1. Was that it? And should we assume that you'll be -- I'm seeing kind of a 17% ceded premium. Should it continue at that level, go higher, go back lower?

Bryan Paul Petrucelli
Executive VP, CFO & Treasurer

Yes, Mark, this is Bryan. That was the primary driver. There was a little bit of reinstatement premium in there as well. But you should see that retained premium sort of at the lower level that we have seen historically. Yes.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

So back to kind of the low mid-teens, is that what you're saying?

Bryan Paul Petrucelli
Executive VP, CFO & Treasurer

I think that's a good estimate, yes.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Okay. You said the personal lines underperformed, I assume that manufactured housing was the -- did you just happen to have a concentration where the storm hit? Or do you think it's a broader issue than that?

Michael Patrick Kehoe
President, CEO & Director

Mark, this is Mike. Yes, we certainly write a lot of business in Florida. So we had plenty of accounts in that area. But I would just phrase that as the frequency and the severity of the storm, we're just reconciling that with some of the underwriting and pricing assumptions. And like we do with all of our business, hey, we have to react where the business didn't perform as well as we anticipated. That involves underwriting, pricing, concentration issues, reinsurance and the like. But we are long-term committed to the homeowner space. We do see that as a long-term opportunity to grow the business. I would say right now, it's not so material to the company. It's probably about 3% of our overall business, but we're optimistic about getting that on track and continuing to grow.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

How would you characterize your appetite for the coastal property if you're -- that's 10% or so of your book that's exposed to coastal. I assume that's going up because I assume the pricing will be pretty attractive, but you tell me and then how much higher would you be willing to take that?

Michael Patrick Kehoe
President, CEO & Director

We don't really have a macro ceiling that we manage to. It's really more of a bottom-up strategy depending on -- we have very strict limits on concentration, right? So that's always a constraint on growth, especially when you get into urban areas like South Florida or Houston and the like. But I would say in general, our commercial property book performed exceptionally well in the storm. For a number of years now, it's generated very significant returns for the company in a way that doesn't create a lot of volatility in our results. So we are looking to incrementally grow that business. If 10% of our book today is some sort of hurricane-exposed property, certainly, that could go up a few points, but I wouldn't expect it to be dramatically higher than that.

Operator

Your next question will come from the line of Casey Alexander with Compass Point.

Casey Jay Alexander
Compass Point Research & Trading, LLC, Research Division

A couple of questions. One, first of all, my estimate for the quarter was way off the mark. And I wholly overestimated the losses that would result from Ian. And so I sort of apologize for that. It wasn't my intention to raise alarm bells or to distort consensus. More trying to figure out how it could be as far off the mark as I was. And I compared your losses to given the magnitude of Ian to the loss ratio that you had in 2020. And is the difference between the 2, the fact that 2020 had multiple events that dug into your retention in multiple ways compared to Ian, which was much greater magnitude storm, but only one event that only dug into your retention onetime?

Michael Patrick Kehoe
President, CEO & Director

Casey, this is Mike. It may be best to take that question offline. I don't know that we have information in front of us to do a detailed comparison with 2020 and 2022, but we're happy to go back and talk to you about maybe the reinsurance structure we had 2 years ago versus today, that's all public information and that probably contributed to a lot of the difference.

Casey Jay Alexander
Compass Point Research & Trading, LLC, Research Division

Okay. Well, secondly, there have been a number of reports out recently that market participants can expect significantly reinsurance renewal cost increases, including increased retention. How does that contour your strategy going forward in the Southeast markets? And how might those changes in the reinsurance renewal and retention impact your margins?

Michael Patrick Kehoe
President, CEO & Director

Well, I would say this. We are and always have been interested in managing volatility in our business. We do that in part through our reinsurance purchases. That's an important part of how we manage volatility, but also with our own underwriting decisions, what limits do we put out, what concentration of business do we allow in a specific area, how do we price the risk that we take on to our books. And so we just renewed our reinsurance program a couple of months ago. So we'll have the better part of the year to look at the way the reinsurance market develops. But as I mentioned a few minutes ago, we're already proactively making some adjustments on our own. I would say in general, our reinsurance partners have made a lot of money on Kinsale over the years. We're a valuable client. And so I think that puts us probably in a little bit of a different position than some competitors, but it probably varies company by company. But I think the short answer is it's a little bit early to speculate, but certainly, we're aware of those headlines and the like as well.

Operator

Your next question will come from the line of Pablo Singzon with JPMorgan.

Pablo Augusto Serrano Singzon
JPMorgan Chase & Co, Research Division

So first one, I just wanted to follow up on the, I believe I heard 8% pricing improvement you mentioned. Is that comparable to the low double-digit range you've been mentioning for the past couple of years? Or is there an inflation adjustment to be considered there? Because I believe you also mentioned the term "real" in your remarks. So I just wanted to sort of make sure I'm up gearing apples-to-apples here.

Brian Donald Haney
Executive VP & COO

Okay. You're correct. This is Brian Haney. So in the past, we've stated nominal rate increases, and so this quarter, we coded to real rate increases, which are adjusted for the loss cost trend and premium trend. We find that's a clear, or provides a clearer view of the movement in the rate adequacy and the margin.

Pablo Augusto Serrano Singzon
JPMorgan Chase & Co, Research Division

Okay. So if you sort of make it apples-to-apples, it seems like inflation mid-single, you'll probably be back to low double digit, right? So no material change here. The start to the bottom line... Right? Correct?

Brian Donald Haney
Executive VP & COO

Yes.

Pablo Augusto Serrano Singzon
JPMorgan Chase & Co, Research Division

Okay. Got it. And then the second question I had, so a negative surprise on the personal property side. But I guess, Mike, your comment on outperforming on commercial property. I was wondering if you could sort of talk through the elements there in your underwriting approach that enables that, right? Is most of your coverage there like name favorable versus all risk? Or was there an element of geographic spread? Just sort of your thoughts on why that part of your book outperformed expectations?

Michael Patrick Kehoe
President, CEO & Director

Well, I mean, it's -- there's a lot of things that go into it, Pablo. Certainly, the limits that we put up when there's a pronounced hurricane exposure tend to be smaller rather than larger, how we price that risk. We've achieved, and candidly, the market has allowed us to achieve over the last couple of years, very significant rate increases. Partly, we use coverage to drive a more accurate underwriting process. We control our own underwriting. We think that gives us a little bit better result. We have strict limits on concentration. We buy a lot of reinsurance in that area. So lots of things go into it. But the general takeaway is the bulk of our property business comes through that commercial property division, and it's an outperformer even in the face of a pretty significant hurricane in Florida. So again, we find it very encouraging.

Pablo Augusto Serrano Singzon
JPMorgan Chase & Co, Research Division

Got it. I had a couple more. Maybe the next one for Bryan Petrucelli. So losses were a negative surprise this quarter, every number, but you put up a pretty strong accident care loss ratio at about 57%, right? So year-over-year, roughly consistent, but then sequentially, that's a pretty significant improvement. I was just wondering if you could help us think about how that might evolve going forward, right, whether there was something one-off this quarter? Was it the renewal of business you wrote last year? Sort of any commentary that could help us think about how that ratio could evolve going forward.

Bryan Paul Petrucelli
Executive VP, CFO & Treasurer

I think, as you mentioned, it's pretty consistent with where we were last year in the third quarter. And I think if you look going back in the years, that loss ratio has a tendency to drift down throughout the year from quarter-to-quarter. And I think if you look at Q2 of last year to Q3 of last year, the movement there relative to Q2 this year to Q3 this year. I think it's a fairly similar trend. So nothing unusual to comment on.

Pablo Augusto Serrano Singzon
JPMorgan Chase & Co, Research Division

And is the downward drift because of the business that renews in the second half of the year? Or is there a change in loss picks throughout the year? Any color you could provide on why that pattern exist in the first place?

Michael Patrick Kehoe
President, CEO & Director

Yes, Pablo, this is Mike again. I would just attribute it to our generally conservative approach to reserving, right? Each sequential quarter across the calendar year, you have a little bit more information and you have a little more confidence in where the losses are going to trend. And so I think you see some of that show up in the loss pick. It's higher in the first quarter, tends to be lower in the second half of the year.

Pablo Augusto Serrano Singzon
JPMorgan Chase & Co, Research Division

Okay. Makes sense. And then the last one for me. I was looking at stepping off this data, and it seems like premium growth in California was actually negative as were obviously did detract from the overlain growth number, but I was just curious to hear any commentary on what's happening there? And I guess, the opportunities you're seeing in California versus other geographies?

Michael Patrick Kehoe
President, CEO & Director

Yes, this is Mike again. I would just attribute that to normal volatility when you get down to a state-specific number like that. And I think with the staffing offices as well, sometimes there can be maybe a slight lag in reporting that causes that number to vary month by month. But in general, I think Brian Haney commented, we've seen very robust growth across the quarter and across our whole portfolio.

Operator

[Operator Instructions] Your next question will come from the line of Scott Heleniak with RBC Capital Markets.

Scott Gregory Heleniak
RBC Capital Markets, Research Division

Just wanted to ask a quick question on -- we've heard this earnings season, a few of the specialty insurers talk about a little more competition in a few areas, typically liability lines where some of the rates may be drifting down a little bit. It sounds like you're really not seeing that much at all, but just I wondered if you had any comments on what you're seeing versus the past couple of quarters. And then also the submission counts, how they sort of trended during the quarter, whether those strengthen towards the end of the quarter and into October?

Brian Donald Haney
Executive VP & COO

Yes, this is Brian Haney. So we see in our market, things pretty stable. Now keep in mind, we focus on smaller accounts than a lot of our peers. So it wouldn't surprise me if the people that focus on larger accounts are seeing a little bit more competition. We certainly don't see places where you're getting rate decreases, we might be seeing some where the rate increases are less than the market average. Excess casualty is still pretty firm relative to casualty. Property is obviously the firmest. Some of the professional lines are probably some of the least firm, but everything seems to be in a positive direction. We don't really pay a lot of attention to movement month-by-month in submissions, but I mean, it tends to be pretty stable. So the suspicion grade has been pretty consistent all year has been on this very slight upward accelerating trajectory.

Scott Gregory Heleniak
RBC Capital Markets, Research Division

Yes. Yes, it sounds like it was pretty close to what you saw in the second quarter, maybe a little bit better on the submissions, but definitely very strong.

Brian Donald Haney
Executive VP & COO

If I could expand I'll answer one thing. When I talk about the MGAs, those new start MGAs tend to focus on larger deals. So that's why we're not seeing a big effect from them in particular right now.

Scott Gregory Heleniak
RBC Capital Markets, Research Division

Okay. Yes, makes sense. And then I was just curious, you mentioned some of the growth areas that you saw in the quarter and the casualty energy entertainment. And just wondering if you see any new growth areas or initiatives you have kind of planned for 2023? Is it just continue to build out with existing products, new hires, expanding distribution, how you kind of see that over 2023? Because it sounds like you're pretty optimistic on the market itself. So I'd imagine you're preparing for growth there.

Michael Patrick Kehoe
President, CEO & Director

Yes, Scott, this is Mike. I would just say, yes, to the optimism, both because of the market conditions and because we think our business model is a little bit different, and we think that helps quite a bit as well. But in terms of the product line, we're always working on incremental expansion that's been going on for years. And certainly, it's gone on this year and will continue into next. So that will be part of the growth story. I think if you look at how we roll out new products, they tend to be very incremental. So it's a small part of the growth story in any given year, but over a long period of time, it's very meaningful.

Scott Gregory Heleniak
RBC Capital Markets, Research Division

Yes. Okay. And then just a question on the July 1 reinsurance renewals. Was there anything -- I mean, you entered the quarter here, but was there any notable changes there versus what you had previously? And I was also wondering if you could quantify the ceding commission benefit that you saw in the third quarter versus before you had the quota share, the new quota share treaty?

Michael Patrick Kehoe
President, CEO & Director

I'll let Bryan handle a seating commission question. But the big shift was we moved away from excess of loss approach on our commercial property business to a quota share approach. And so the effect of that is, hey, it does generate a little bit of ceding commission, whereas the excess loss approach, those treaties were net. They had the effect of actually, I don't know if artificially is the right word, but they had the effect of pushing up your expense ratio. The ceding commission pushes it down slightly. I don't know if we can quantify it on this call, but...

Bryan Paul Petrucelli
Executive VP, CFO & Treasurer

Yes, it had about a 1 point impact on our expense ratio.

Operator

Our next question is a follow-up from Mark Hughes with Truist Securities.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Yes. Anything from an economy standpoint, any slowdown in business exposure units, that sort of thing, payrolls you're seeing among your customer base?

Brian Donald Haney
Executive VP & COO

Yes, Mark, this is Brian Haney. We're seeing very early signs of that in some of the construction-related business, but honestly, it's a pretty broad product line and across most of it, we're not seeing that yet. But if we were seeing it anywhere, we're seeing it in the construction-related accounts.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Understood. And then I don't know whether Mike or Brian, you had mentioned the possibility that this hard market and reinsurance could extend the casualty lines. I wonder if you could just expand on that a little bit. Is that something you've seen in the past? How likely is that in your judgment?

Michael Patrick Kehoe
President, CEO & Director

Look, we're just speculating, Mark. I wouldn't go too far with that. When there's a big cat, sometimes that can bleed over into other lines beyond property in terms of reduced capacity. I think the bigger issue in casualty historically has been reserve adequacy. And if you talk to a lot of reinsurers, some intimate that they suspect that the industry -- I'm not talking about in sale, but for the industry that there are some accident years where perhaps reserves aren't as robust as they need to be. And so that certainly can prolong a more favorable hard market, if you will. I always like to reiterate, we had Kinsale really strive to establish conservative reserves and people, investors in particular, should have a lot of confidence in our balance sheet. But maybe for the broader industry, some companies, yes, some companies, no.

Operator

Our next question is a follow-up from the line of Pablo with JPMorgan.

Pablo Augusto Serrano Singzon
JPMorgan Chase & Co, Research Division

First I have it for Mike. Just based on your experience at past pricing cycles and I guess looking out further into the future, do you think that all this business that's moved from submitted to the investor remains in E&S? Or would it be reasonable to assume some of the amount of give back at some point in the future when the cycle does turn?

Michael Patrick Kehoe
President, CEO & Director

I think it's good to keep in mind, Pablo, how dynamic the E&S market is even today when it's growing. I think E&S grew last year, the whole industry grew by 25%. Even in a boom year like that, you've constantly got business moving back and forth from standard to nonstandard. I just think of like an example would be a new business would start out in the nonstandard market many times. A couple of years later, if they've had favorable loss history, they'll probably go to the standard side. So that back and forth goes on all the time. I would say the long-term trend, if you look back 30 years, is the E&S market growing from 3% of the P&C industry. I think last year was 10.5%. Not every year, does it grow. I think in the Great Recession back in '07, '08, there were like 4 or 5 years in a row where the E&S market actually shrink relative to the standard market, but typically by like a percent or 2 each year. So it can ebb and flow, but the long-term trend, we think, is likely to continue where E&S continues to grow at the expense of the standard market.

Pablo Augusto Serrano Singzon
JPMorgan Chase & Co, Research Division

Got it. And then just a quick follow-up on the question on the construction exposure. I think based on the notes I have, it seems like your exposure to construction is, call it like less than 20% of the premium book. Does that sound right?

Bryan Paul Petrucelli
Executive VP, CFO & Treasurer

On the exact numbers in front of me, but that's probably relatively close.

Operator

We have no further questions at this time. I'll turn the call back over to Michael Kehoe for any closing remarks.

Michael Patrick Kehoe
President, CEO & Director

Okay. Thank you, operator, and thank you, everyone, for participating today, and we look forward to speaking with you again in 3 months. Have a great day.

Operator
Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.