S&P Global
Market Intelligence

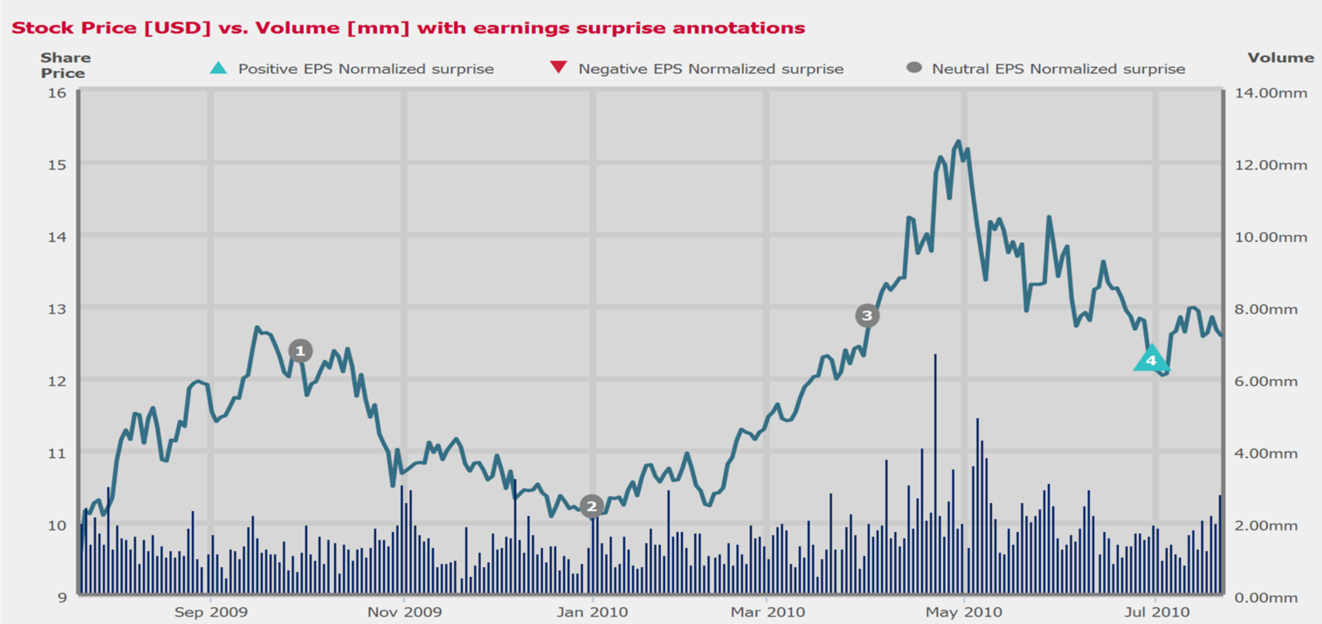
Old Republic International Corporation
NYSE:ORI
FQ3 2010 Earnings Call Transcripts

Thursday, October 28, 2010 7:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2010-			-FQ4 2010-	-FY 2010-	-FY 2011-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.08	(0.17)	NM	0.15	0.36	1.07
Revenue (mm)	949.15	982.60	▲3.52	1026.45	3906.00	4463.35

Currency: USD
Consensus as of Oct-12-2010 1:36 PM GMT



- EPS NORMALIZED -	CONSENSUS	ACTUAL	SURPRISE
FQ3 2009	(0.17)	(0.28)	NM
FQ4 2009	(0.22)	(0.17)	NM
FQ1 2010	(0.12)	0.10	NM
FQ2 2010	0.03	0.05	▲1 66.67 %

Table of Contents

Call Participants

EXECUTIVES

Aldo Charles Zucaro
Chairman & CEO

Chris Nard

Leslie Loyet

ANALYSTS

Beth Malone
Wunderlich Securities, Inc.

Bill Clark
KBW

Cynthia Brown
Federal Home Loan Bank

Mark Snyder
Symphony

Presentation

Operator

Old Republic International Third Quarter 2010 Earnings Conference Call.

Today's call is being recorded. At this time all participants are in a listen-only mode. Following the presentation we will conduct a question-and-answer session. Instructions will be provided at that time for you to queue up for questions. I would like to remind everyone that this conference is being recorded.

I will now like to turn the conference over to Leslie Loyet of the Financial Relations Board. Please go ahead.

Leslie Loyet

Thank you, and good afternoon. Thank you for joining us today for the Old Republic Conference Call to discuss third quarter 2010 results. This morning we distributed a copy of the press release and hopefully you've all had a chance to review the results. If there is anyone on line who did not receive a copy, you can access it at Old Republic's website at www.oldrepublic.com or you can call Liz Dolezal, 312-640-6771, and she can send you a copy immediately.

Please be advised that this call may involve forward-looking statements as discussed in the press release dated October 28, 2010. Risk associated with these statements can be found in the company's latest SEC filings.

Joining us today from management are, Al Zucaro, Chairman and Chief Executive Officer; and Chris Nard, President.

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

Aldo Charles Zucaro
Chairman & CEO

Thank you, and good afternoon, everybody. Thank you once again for joining us on this call. As we've done in the recent past, Chris Nard and I will share the microphone and shed a little light on this morning's earnings release. After that, as Leslie just mentioned, we'll address any questions that you have.

I might note that on the outset, while we've expanded the statistical supplement to the earnings release, we have posted it now on the Old Republic website, if you want to refer to it.

Consolidated wise, there's no hiding the fact that we experienced somewhat unanticipated and relatively poor underwriting results in the latest quarter. On the other hand, as you can see, readily the nine-months results still look vastly superior to those we posted in the same nine months of last year.

As you can see in the summary table on Page 2 of the release, the earnings difficulties flow primarily from our general and mortgage guaranty lines. In general insurance, the substantial increase in this year's underwriting ratios stems from just one of the coverage's we underwrite; namely the consumer credit indemnity, or as we refer to it CCI product for short.

The immediate cause of this spike in CCI loss cost, arises from a claim validation catch-up on our largest account. As we reported, I believe for a couple of quarters now, this catch-up process is resulting in a quicker resolution of claims subject to validation, or as we like to say in the property and causality business, subject to the procurement of a proof of loss, and it's also causing a faster posting of necessary reserves and payments of claims.

To get a sense of the effect that this is having on our general insurance ratio and the trends on it for the past several quarters, if you look at 2008, the CCI cost, claim cost increased or added 6.1 percentage points to the loss ratio for that year. In 2009, the increase was 7.3 percentage points, and for the first nine months of this year, it was 9.6 percentage points as we point out in the release.

I might just say that as we speak, there are fewer delinquencies being reported on CCI, and the number of claims pending verification prior to payment is also trending down. But we still need a couple of quarters to see whether this trend continues before we conclude that the worst is over from this standpoint.

Apart from the CCI situation, which incidentally involves a quick declining premium base since we're not writing any new business in this cycle, the rest of our general insurance book of business is performing and continues to perform very well. You can see this on the second page of the statistical supplement that I mentioned before being - that's posted on our website. And if you have it handy, you can see on that page that there is a great deal of stability and loss cost, sure enough individual lines bounce around a little bit from quarter-to-quarter. But, in totality particularly with respect to our largest segments of liability insurance, which together represents some 2/3 of our general insurance business, there is, as I say, quite a bit of stability there.

By the same token, there is also quite a bit of steadiness in the ever-so-slight down trend in the premium line, and as we reported for a couple of three years now, a combination of a fairly consistent drop in premium rates from most of the coverage's we write, as well as the current economic downturn, the combination of those items are truly the root causes for this situation.

Our present view, incidentally, is that premium rates are no longer falling to any significant degree, at least for the parts of the property and causality business that we work with. But any pickup in the top line will have to await a resumption of stronger economic activity. And that's what's going to move that topline. And unfortunately, at least we are of the belief that this improvement in the American economy is going to take place on a very slow track over the next several years.

In our case, again, from a topline standpoint however, the merger which just took place on October 1, with the PMA companies will certainly add to our consolidated top line beginning in the fourth quarter of this year. And we also expect that this merger, that the results of PMA will provide something that will boost to the bottom line as well.

See, in terms of general insurance earnings quality, the old-important loss reserves for prior years continue to develop favorable so far this year, but the level of redundancy, which typically for us amounts to 2 to 3%, that debt level has been clipped to some degree this year by adverse development on the CCI claims for the reasons that we've already cited.

Operating cash flow in this business remains very positive, though it is trending down as you might expect and that's due to again, the topline issues that we're having to deal with as well as the faster claim payments that we've all already noted again.

Having said that, I'll turn it over to Chris.

Chris Nard

Thank you, as you can see in the release, the MI results in this third quarter deteriorated somewhat from what we saw in the same period last year. Although, I'm pleased to see the year-to-date comparisons showed significant improvement. In both incidences, if you leave aside the effects of the captive commutations and the full terminations which we've outlined on Page 4, the year-over-year changes for the most part, driven by variant changes in the claim payment trends, and then changes in some of the reserved provisions.

On the delinquency side, traditional primary delinquency were down 5.1% in the third quarter when compared to third quarter in 09, and then in the quarter-to-quarter comparison, traditional primary delinquency were down about 6.4%.

This decline in the delinquent inventory, really throughout 2010, has been reflective of a decline in the newly reported delinquent which we have talked about for several quarters now. An improvement in the cure rates that we've seen in 2010, in addition to the influence that the increase level of paid activities has had in the delinquent population as well.

With respect to the production side of the business, new insurance written was down in the third quarter and in the year-to-date comparisons. But on a positive note, the new insurance written continues to trend up for the year and was up 14% in comparison to the second quarter of 2010.

Net earned premium line continues to slide, continuing as a result of several factors of the business. One is obviously the low levels of new insurance written that we've seen over the years. Two, the continued runoff of the bulk business, and that recently has been accelerated by the termination of several of these pool contracts we've talked about in the past. And lastly, the high-level of refunded premiums related to the elevated level of claim rescissions we're seeing.

Also, net risk and force has continued to decline, this is largely driven by the fact that the low levels of new insurance written that we just discussed, are unable to make up for the risk that's left to book due to refinancings; more claims settlements in the period.

We would continue to expect that that risk-in-force number will be challenged through the rest of this year, and really into 2011 as we would anticipate these trends to continue.

While the first three quarters of 2010 indicate some improving trends in the terms of MI industry volume, for the year, private mortgage industry volumes are down significantly. And the MI penetration rate continues to run at less than 5%, which is down significantly from the recent peak in early 2008 of around 14 ½%. Year-to-date, on a market share side, the company's market share has trended down somewhat and is running a little bit under 9% for the year-to-date period.

One of the primary drivers of this low MI penetration rate has been a growth in the FHA market share, really since the beginning of 2008. And as we've discussed in previous calls, the FHA has started to make several changes that will positively impact it's performance over time. And as of early October they've significant raised their monthly premium rates, and we think in the fourth quarter and into 2011 that change should really improve the MI versus FHA price comparison in several areas, particularly the high credit score areas. Therefore, we think that'll support an improvement in the long-run MI penetration rates as we look at 2011 and 12.

On to the modification side of the business that we've reported on in the past, at the end of August we've seen about 11,000 loans cure as a result of the HAMP program. Today, newly reported HAMPs are obviously down, it's the bubble of delinquent borrowers, the big bubble of delinquent borrowers have passed through that program. And the fact that new borrowers who are eligible for HAMP are required to provide full documentation before entering the process. Those two things will really likely limit the number of new HAMPs that we see going forward.

But on a positive side, in recognition of the need for addition modification opportunities, Fannie and many large servicers have developed modification programs on their own. They work with borrowers who, for one reason or another, maybe on able to qualify for a HAMP modification but could be eligible for another private modification.

As you all know, one of the major news items we've seen in the last few weeks has been the reported documentation issue with foreclosures, and then ensuing moratoriums that were announced by several large servicers. We would currently anticipate that this would have limited impact on us, other than extending the time period that loans currently spend in their various delinquency stages, essentially the foreclosure moratorium would have a tendency to freeze the later stage delinquency and the various stages. So it would simply involve the extension of the time that they would be there, and likely not result in any increase in the frequently of default for the effective delinquency.

On to risk to capital ratio. You can see from the release as we've talked about in the last several quarters that the risk to capital ratio for the mortgage guaranty and insurance group of companies, has surpassed the 25 to 1 level. As we've talked about for the last year or so, we have a waiver from the North Carolina Department of Insurance which is the state of domicile for Republic Mortgage Insurance Company, that will permit us to continue to write business when the flagship goes above the 25 to 1 risk-to-capital ratio.

And in the event that another state who would have a risk-to-capital requirement, I think they're about 16 of them, if they have language in their statues that would lead them to be unable to recognize the waiver from the State of North Carolina, or they wouldn't want to grant us a waiver under their existing statues, we, like the other MIs, have been granted the ability to write business in a separate subsidiary by both Fannie and Freddie.

At this point, we would anticipate that we would only need to write business in a separate subsidiary in one, maybe two, states if the need would arise.

So to summarize where we are in the mortgage guaranty business, while we've seen improvements in the delinquency and cure rate trends, and we recognize the potential for increases in the MI penetration rate going forward in 2011, those positives are moderated by what we think are some difficult prospects from employment growth and the excess supply of homes we see in many markets around the country.

These two economic conditions will contribute to what we would expect to really continue to be a slow recovery in housing through the end of this year and into the next.

With that, let me take a moment and segue into a report on Old Republic's Title Insurance Business. Our Title business continues to build on the positive momentum that they started to gain towards the end of 2009. In the third quarter of this year we posted a $5.7 million profit in comparison to a little a $4 million profit in the third quarter of last year. And our third quarter results, also compare favorably to the second quarter where we earned again about a $4 million profit in the second quarter of this year.

Premiums and fees earned in our Title business continue to show strong growth, and we're up about 23% over last year's third quarter. Again, these gains continue to be largely contributable to our growth in market share which is resulted from a deal recently. We did a joint venture with the Attorneys' Title Insurance Fund in the State of Florida, and then some market share gains from the various dislocations that we've seen in the title business over the last year or so.

The company's market share in the second quarter, which is the most recent time period we have available, was about 10 1/2$% versus about 6.8% in the second quarter of 2009.

Expense ratio for the third quarter was 91.9, which was basically flat in comparison to the third quarter of '09, but down just slightly from the previous quarter. In the claim ratio of 8.3% for the quarter was fundamentally flat in comparison to the third quarter of 2009.

As I mentioned, when I talked about our mortgage guaranty business, certainly the event in the real estate industry that's garnered the most immediate attention recently, is the uncovering of these issues for -- related to the foreclosure process, and the ensuing moratoriums on new foreclosures.

In our title business, obviously one big misreported piece of that story was that Old Republic had stopped providing title insurance on foreclosures for two large national lenders. That in fact, was not the case, but what got picked up was some advice we provided to our title offices that said if a foreclosure for one of those two lenders was stopped by the lender, the GSEs or another regulatory body that our offices in fact, should stop the processing of that title work. And that release somehow got translated into what you read in the media over the last couple of weeks.

From where we stand today, we wouldn't anticipate that the current foreclosure issues would create significant exposure for our title operation. If there is any exposure likely, we think we would see it in the area of increased legal expenses. It would relate to essentially having to defend in a wrongly executed foreclosure proceedings.

In the unlikely event of kind of a worst-case outcome or the title company could be responsible for the exposure to a new buyer, if the property was deemed to be wrongly transferred, again, that would be our worst-case scenario. But in that instance, we think that the various protections built into the policy would protect the company from significant loss.

As far as the signing of indemnification agreements with lenders, we have yet to execute an agreement like that. In large part because we feel that the protections under the policy itself are sufficient to protect us from loss of these scenarios. But certainly, we'll continue to revisit the indemnifications in this process throughout the cycle of these foreclosure moratoriums.

That all being said, I think we're reasonably satisfied with the progress that we're seeing in the title area, and we think that we'll continue to be reasonably optimistic that this line of business continues to stabilize.

With that, I'll take a second and turn it back over to Al Zucaro.

Aldo Charles Zucaro
Chairman & CEO

Okay, well there you have it; the story about -- the current story, about our three major segments and their impact on the consolidated results of the company.

As a closing comment, I might, as we usually do, point to the fact that the Old Republic balance sheet is as pristine as it's been for many years. The bond portfolio's got quite a bit of [inaudible] appreciation built into it, because of the interest rate situation and the quality of that portfolio.

As I mentioned before, with respect to general insurance and the same holds true for mortgage guaranty and title insurance, our reserve structure is in very good shape and we don't expect any significant deficiencies to develop, to speak of.

And finally as you see, book value per share, even though we've got this small loss to account for over the last nine months, as well as the fact that we have continued to pay cash dividend to our shareholders at a slightly increased rate so far this year, that even with those elements, book value is going up and it's going up primarily because of the contribution from unrealized gains on the bond and the much smaller stock portfolio that we have public.
Having said that, I guess we'll, as we always do, open it up to any questions you may have.

Question and Answer

Operator

(Operator Instructions) Our first question today comes from Beth Malone with Wunderlich Securities.

Beth Malone
Wunderlich Securities, Inc.

Thank you. Good morning. Can I just get a little bit more clarification, I'm trying to understand, it's obviously the claims in the mortgage insurance for this quarter were significantly higher than they have been in the past quarters. And I just want to understand, is that due to an acceleration or further deterioration in the mortgage environment or is it due to some kind of change in the timing of recognition of the mortgage claims?

Chris Nard

Sure. This is Chris. I think one thing to discern is to look at Page 4 of the release and then go down to the bottom of that table in the middle of the page and you can see the trends absentee impact of the captive connotations and pool terminations over the 12-month period. But with that, what I'd say, we certainly did see an increase in paids in the quarter, and it was related to a couple of different things.

One, you know, we've used the rat-and-the-snake metaphor unfortunately to describe, you know, the '06 and early '08 book moving through the portfolio. And it can get choppy as that thing gets adjusted.

In the third quarter, what we saw was an acceleration of paids in large part due to an acceleration in receipt of documents for claims that were, you know, payable but needed to have what we called the chronology docs supplied as to what went on in the process to verify the claim and pay it. That saw a significant spike in the third quarter. And we've begun to see, you know, this isn't the first foreclosure moratorium that's occurred. There was a big foreclosure moratorium in place as we tried to move all the HAMPs through the system and that came off early in the year I think, and I think we got some natural pays as that little bubble In the moratorium worked its way through the third quarter.

As a matter of trends, the trends that have existed to date, being the reduction in newly reported delinquents really since the beginning of '09. The improvement in pure rates that we've seen in 2010, those things continue to exist today.

Aldo Charles Zucaro
Chairman & CEO

I might add that the point that Chris just made about the speeding up the verification while providing to use a proof of loss, so to speak is the same issues that we have tried to ascribe to the CTI. And the fact that to remember, also that the speeding up of paid claims in mortgage guarantee is occurring in the context of its reserves still panning out just fine. They're still developing, perhaps at a smaller degree, level than last year, but still redundant reserves.

So there's no question that the increase in payments impacting adversely the quality of the reserve structure.

Beth Malone
Wunderlich Securities, Inc.

Okay. So using your snake-rat analogy, are we closer to full digestion of the rat?

Chris Nard

My sense would be we're beginning to overwork the metaphor. But no, I mean, as we said in the past, and I said at the close of my comments, I think we'll - I'm trying to get off the metaphor, but we'll continue to work our way through those bad books through 2011. And you know, likely with the real estate market where it is, into early 2012.

Beth Malone
Wunderlich Securities, Inc.

Okay. And then on the title business, the whole foreclosure mess and this moratorium and stuff like that. As it relates to title, should we anticipate that the fourth quarter will have fewer title revenue because this whole process has been, - it will get lumpy too because now all the foreclosures that was supposed to take place are not and then they'll probably end up having to take place in a rush in the beginning of '11 because of this whole controversy over the mortgage foreclosure paperwork?

Chris Nard

That's a tough one to predict because remember, there are a lot of parties who have influence in how this proceeds, but I think it's safe to say that if you shut off the foreclosure activity, you would be putting less loans out in the market, less new purchases and that would reduce the overall market for all title insurers or anybody who is subjected to swings in new origination points.

Aldo Charles Zucaro
Chairman & CEO

I can give you a specific point about the fourth quarter though, it's also bear in mind that that turns out to be one of our slower quarters typically. And then also the, you know, one of the wild cards in all of this, particularly as it affects title insurance, is the level of refinancing typically. So as long as rates stay at these low level, you may still have a substantial number of loans refinancing throughout the country because I suspect a lot of people live in fear that rates are going to go up and they take advantage of this continued low-rate environment.

Beth Malone
Wunderlich Securities, Inc.

Okay. And then one last question and I'll get back in the queue. The outlook on the overall - the general insurance and what you're seeing in trucking and those area, because we're hearing, you know, a variety of responses in the third quarter. Some companies are arguing that things are looking like they're getting a little better in terms of demand and pricing, and some are saying that it's not getting any better. Just what is it you're seeing in that market?

Chris Nard

Well, what we're seeing is, and I think we mentioned before, that is the fact that we don't see any further significant downturns in the rate structure, at least with respect to the areas we play in, the industries we service and the coverage that we provide.

But so much, again, of our business is reliant on the sales activity and employment activity that unless that changes dramatically and we are of the school that that's not likely to occur for a while, that we're on the slow boat to China when it comes to the economy, that we're not going to see any significant upsides to the top line by virtue primarily of this economic situation we're in.

Beth Malone
Wunderlich Securities, Inc.

Okay. Thank you.

Operator

Our next is Bill Clark with KBW.

Bill Clark
KBW

Good afternoon, guys. In the mortgage insurance segment, the two quarters prior to this, you had managed to get the loss ratio down to the, you know, low-to-mid 100% range. This quarter it obviously shot back up to higher 100%, closer to 200%. Any thoughts as to where we might finish the year, or start to see the ratio go in 2011?

Chris Nard

Well, the most important thing there is, again, to go back and look at these quarters, absent to change, change is created by the capital commutations in the pool terminations. I think your comment that we've gotten it down to a much lower level in previous quarters, I think those are largely reflective of the results terminations or the captive commutations. Again, the way to look at the real trend is, as we've shown on Page 4 here, absent these various activities. As far as outlook, I mean, we would continue to anticipate, this market will have a little bit of tough time getting its footing. Certainly we would expect some continued comp price depreciation going forward with, you know, not in the job environment, and I think we'll slow, you know, the return to stability balanced off somewhat by the seasoning of these older-higher risk loans.

Bill Clark
KBW

Okay, great. And second question, in the breakout of the premiums by line for general insurance, it looked like there was a pretty good jump in the financial indemnity segment. Was that influenced at all by the cleanup you talked about in CCI or was there something else going on in there?

Chris Nard

There was some, as you may know and recall, there was the - the CCI products, quite a bit of it, anywhere between 40 and 50 percent depending on the source of the business, is subject to some sort of retro-type of premium adjustment. And when we had this spike in claim costs in this latest quarter in particular, it triggered on some accounts, some additional premiums, what we would refer to as audit premiums, let's say other lines of insurance. So these were triggered by the retrospective premium adjustment formulas that we have in some of this business. And that's the lion's share of that. We had a little bit of an improvement in the - in the portion of financial indemnity, which has to do with the GAP coverage, the asset protection product on the automobile business, and the fidelity insurities is [inaudible].

So it was mostly, in direct answer to your question, the retro is on the CCI product.

Bill Clark
KBW

Okay, great. Thank you.

Operator

(Operator Instructions) We'll go next to Mark Snyder with Symphony.

Mark Snyder
Symphony

Hi guys, can you hear me?

Chris Nard

Yes.

Mark Snyder
Symphony

You know, just a follow up kind of on the mortgage question. You know, if I'm kind of thinking about it, was there a change in the reserve that impacted the MI segment because delinquencies are down, severity is down, risk and force is down. How else should I be thinking about it?

Chris Nard

Well, I think as we look at each quarter, you know, we're looking at all the things that impact the ultimate frequency in those loans and it certainly - certainly, as this market moves along you've got the phenomenon of changes in the recision rate, and again, the bad books of '06, '07 and then the first quarter of '08, as they work their way through the system the recision rate on the loans going forward would - we would expect certainly to decline. As that declines, we would make adjustments in the reserve reflective of the higher frequencies mainly in the embedded delinquencies. So I think that's what you're referring to. You might have expected to see a bigger drop, but we make a judgement each quarter on, you know, the latest aged delinquencies and what we think these recision rates would be. And you know, have made some adjustments to increase those reserves.

Mark Snyder
Symphony

Okay. And just one more just quick question. Just on the severity of each paid claim, what has that been running at now and what has it prior been in the old quarters?

Chris Nard

What we started to see, again, as time has gone on we've noticed that higher risk loans are the first to go to claim because higher-risk loans were largely resident in the sand states; California, Florida, Arizona and Nevada. And those are the states with the higher loan balances. As those have worked their way out, we see severities begin to decrease, really over the few quarters. Not dramatically I would say, but consistently.

Mark Snyder
Symphony

Would that be severity in the 80% range or maybe back down to 60%?

Chris Nard

No, I don't have that in front of me, but I would think it's still around 100%, but the size of the claims has come down as the loan sizes get down to more normal levels.

Mark Snyder
Symphony

Okay, great. And just last one question. The MI business you're running now, what kind of RA do you think you would get on that, you know?

Chris Nard

The book we're writing now compares favorably to any book we've ever written and I would think it even feels a little better than the book we wrote over the last - after the last catastrophic loss cycle. It's got high [inaudible], reasonable LTVs and very strong borrowers.

Mark Snyder
Symphony

Okay. Thanks.

Operator

And our next question comes from Cynthia Brown with Federal Home Land Bank.

Cynthia Brown
Federal Home Loan Bank

This is Cynthia Brown with Federal Home Loan Bank. I have one quick question on the title insurance. Seeing as how the majority of the composite ratio on that is, the expense ratio, how do you - or what are your projections for the expense ratio going forward with the moratorium, how high do you, you know, I guess expect that to go, or what are your ranges for that given the whole foreclosure debacle?

Chris Nard

I mean, I would tell you I think that the trends we've experienced over the past would be the trends that we would expect to see in the future. As I mentioned, if anything comes out of this it would be an increase in legal fees and I wouldn't think at this point that would be a material impact on the company.

Aldo Charles Zucaro
Chairman & CEO

And to add to that, I'm sure you realize that with some 60% plus of our business a title insurance company from the distribution channel, that a big chunk of our expense ratio comes from the fees we paid to those downside producers. So to the extent that the topline from those areas suffers by virtue of issues that you're addressing or any other matter that would have an impact on the top line, then the expense would follow suit. So you should expect to see relative stability in our expense ratio.

Cynthia Brown
Federal Home Loan Bank

So the expenses from, I guess legal fees, is a much smaller portion of the expense ratio?

Chris Nard

Oh yes, indeed.

Cynthia Brown
Federal Home Loan Bank

Okay. Thank you.

Operator

And we'll take a follow-up question from Beth Malone with Wunderlich Securities.

Beth Malone
Wunderlich Securities, Inc.

Okay, thank you. Just a couple quick things. I just want to confirm, when you look at the results for the mortgage insurance and compare to a year ago, the combined ratio, has that been restated for 2009 third quarter to reflect those reinsurance computations?

Chris Nard

No, it just flows through on a prospective basis, if I understand the question.

Beth Malone
Wunderlich Securities, Inc.

Well, I guess my question is when you recorded second quarter 2009, the composite ratio from mortgage insurance was significantly higher than what you're using as a comparison for the - I'm sorry, for the third quarter of 2009 compared to what you're using in the press release to compare today?

Chris Nard

I think what you may be looking at if you recall, we had a change in the manner in which we handled the captives - the reinsurance arrangements that we affected in the third quarter of last year.

Beth Malone
Wunderlich Securities, Inc.

Oh, okay.

Chris Nard

Remember? And then we, in effect, ended up restating those numbers. And so really, to compare on apples to apples basis with this quarter in particular you could use the old numbers to compare; on a year-to-date basis you should use the new numbers.

Beth Malone
Wunderlich Securities, Inc.

Okay. All right, all right. That's -

Chris Nard

I think that's what's happening with your comparison.

Beth Malone
Wunderlich Securities, Inc.

Okay. Then another question on the consumer credit, you haven't written a new policy in that business since 2007, is that right?

Chris Nard

Correct.

Beth Malone
Wunderlich Securities, Inc.

Okay. So we should view consumer credit as a run-off business?

Chris Nard

It is in that stage right now, until we resume writing new business, and that's going to be, as we said before, predicated on one, redoing the pricing structure of that business and the policy features of that business on the one hand, and secondly on loans being made, you know, that the lenders would want the CCI coverage for. And of course, no such loans, to speak of, are being made nowadays.

Beth Malone
Wunderlich Securities, Inc.

Okay. So -

Chris Nard

Lines of credits and things like that.

Beth Malone
Wunderlich Securities, Inc.

Right, right.

Chris Nard

Not resurrected by any stretch of the imagination.

Beth Malone
Wunderlich Securities, Inc.

Okay. So there's - but I guess I was expecting at some point we would see it separated out from the general insurance completely?

Chris Nard

Yeah, when it becomes immaterial, we will do that.

Beth Malone
Wunderlich Securities, Inc.

Okay.

Chris Nard

We're still writing some 60, 70$ million annually of basically of renewal CCI premiums as we speak. So it still accounts for 7, 8% I guess, 6% I should say, of our total line.

Beth Malone
Wunderlich Securities, Inc.

Okay. All right. Well, that's helpful. Thank you.

Chris Nard

You're welcome.

Operator

(Operator Instructions) And we have no more questions at this time, so I would like to turn the call back to Mr. Zucaro for any concluding remarks.

Aldo Charles Zucaro
Chairman & CEO

Well, I think we said what we set out to say and we're happy that we got as many questions as we did and hopefully we answered them to everyone's satisfaction.

So on that note, we'll bid you farewell until the next session. You all have a good day.

Operator
This concludes today's call. We thank you for your participation.